EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,754 | Friday January 27 1989 | D 8523A

INDIA
Greasing the palms of bureaucracy
Page 18

Rail tunnels planned to ease London traffic

By Kevin Brown, Transport Correspondent, in London

A £3.5bn ($5.95bn) package to ease congestion in London by building two new underground railways has been proposed by a Government study of the capital's transport problems.

The plan calls for new east/west and north/south links, costing around £2bn, and a £1.5bn improvement programme for existing lines.

The study was ordered by Mr Paul Channon, the Transport Secretary, last summer.

The proposals are intended to relieve severe overcrowding and delays caused by a 23 per cent increase in passenger demand on London's Underground and British Rail services since 1980.

There have been growing concerns over safety in the London transport system following the recent death of 31 in a fire at Kings Cross underground station and 34 in a British Rail collision at Clapham Junction during the morning rush hour.

However, the Government is not committed to proceeding with the proposals and no decisions have yet been made on how it would be financed should it proceed.

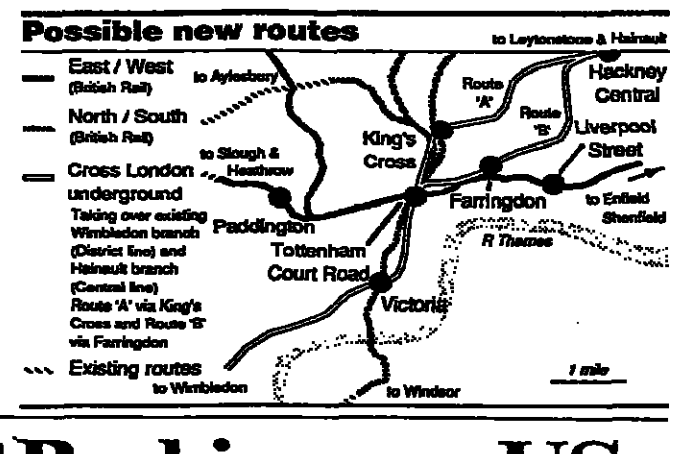
The report recommends two alternative packages to increase capacity, each involving the construction of two new lines.

The report says further detailed work on the physical specifications for the lines is needed before a decision on a preferred option can be made. However, the Transport Department said there were no insuperable technical problems.

Mr Channon said he hoped British Rail or London Underground would table a private

Continued on Page 18

Crush threatens to derail London, Page 7; Editorial Comment, Page 16



World News

Moscow announces Chernobyl clean-up

Soviet Politburo announced a new campaign to cope with the consequences of the Chernobyl nuclear disaster, nearly three years after the event, suggesting that evidence of radiation may have been found. Page 18

New Soviet tremor

A new tremor struck the Central Asian republic Tadzhikistan near villages left as common graves for hundreds of people killed by a quake and mudslide. No loss of life was reported.

Arafat in Madrid

Palestine Liberation Organisation Chairman Yassir Arafat arrived in Madrid to meet the foreign ministers of Spain, France and Greece. The EC hopes to send a signal to the US and Israel on the urgent need for a Middle East peace conference. Page 2

Israeli raids

Israeli troops killed one Palestinian and critically wounded another as Arab residents fled raids on West Bank villages. Troops also bulldozed four houses and blew up another in the occupied territories.

Hostage reports

Diplomatic moves by the Irish and Iranian Governments were underway yesterday, as hopes rose for the release of two more hostages held in Lebanon. Page 4

Afghan attacks

Moslem rebels said they were stepping up attacks on Afghanistan's second city Kandahar, because Soviets were airlifting arms and ammunition to help sagging government forces. Mine clearing, Page 4

Chun refuses writ

Former South Korean President Chun Doo-hwan refused to accept a writ to testify before a committee on the suppression of a 1980 uprising that left over 200 people dead.

Malaysia detainees

Malaysian authorities released two leading opposition lawmakers and three other politicians it had held without trial for 15 months. Page 4

Peru rescue effort

Fire and poisonous fumes in a collapsed Peruvian gold mine slowed efforts by rescuers to find amateur miners trapped for more than five days.

Duarte rejection

San Salvador President Jose Napoleon Duarte rejected an electoral proposal by leftwing rebels, calling it an unconstitutional proposal for war.

Taba sovereignty

Egypt said it would declare sovereignty over the Israeli-held Red Sea resort of Taba on Sunday when a deadline for its return expires.

Polish priest funeral

Thousands of Poles bade an emotional farewell to murdered Roman Catholic priest Father Stefan Niedzialak. Solidarity leaders stayed away from the funeral as they prepared for talks with the government. Page 2

Calvi verdict

Milan judges have ruled that Roberto Calvi, Banco Ambrosiano chairman found hanged in 1982 from a bridge in London, did not commit suicide, but was murdered. Page 2

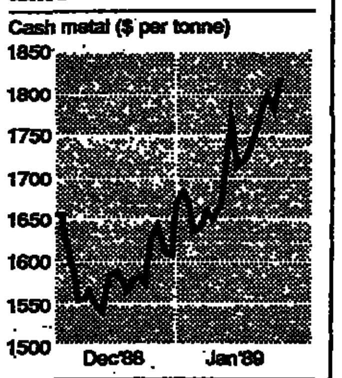
Business Summary

BP takes an option to buy stake in Petromed

BRITISH Petroleum has taken an option to acquire between 8 and 15 per cent of Spanish petroleum refiner (Petroleos del Mediterraneo SA), the two companies said.

PIERRE BEREGOVOY, French Finance Minister, ordered the stock exchange regulatory to investigate possible insider trading in the shares of Société Générale, the privatised bank. Page 18, French economy, Page 2

ZINC climbed to new records on the London Metal



Exchange. The cash metal climbed $40 to $1,882.50 a tonne as traders considered the possibility of another strike in the Peruvian mining industry. Commodities, Page 30

CROSS-CHANNEL ferry services run by Sealink, British carrier, and two Dutch and French carriers are being examined under EC rules against anti-competitive agreements, the European Commission said. Page 2

PHELPS DODGE, biggest US copper producer, increased its underlying net profits by 62 per cent in the fourth quarter and more than doubled profits in 1988 due in part to higher copper prices. Page 20, Commodities, Page 30

GENENTECH, world's leading specialised biotechnology company, recorded a loss of $15.4m in the December quarter because of disappointing sales of Activase, the new heart drug. Page 20

VOLKSWAGEN, West German motor group, has appointed Mr William Young as head of its US operation, Volkswagen of America. Page 22

LONDON Stock Exchange and accountancy profession sent out conflicting messages on accounting for intangible assets. Page 7

FALCONBRIDGE, Toronto metals group, and Cominco, Vancouver resources concern, have reported record fourth-quarter profits spurred by higher metal prices and buoyant markets. Page 22

COPENHAGEN'S bond and futures and options markets will be brought together on a single screen today, as Denmark takes another step towards a full electronic market. Page 24, Stock Markets, Page 42

KOOR INDUSTRIES, Middle East's largest industrial group, had its immediate financial worries alleviated by an Israeli court's approval of the sale of its 24.3 per cent holding in Tewa, a large pharmaceuticals company. Page 2

CHICAGO Mercantile Exchange set up a panel to look into trading rules in the wake of FBI investigations into fraud at Chicago's futures exchanges. Page 3

INTERNATIONAL BUSINESS Communications (Holdings) reached a settlement on "strictly confidential terms" with one institutional shareholder in Barham Group who had challenged IBC's refusal to reopen the cash terms of its successful takeover of Barham in 1987. Page 29

Bush will visit China to 'reaffirm relations'

By Lionel Barber in Washington

PRESIDENT George Bush will meet Chinese leaders next month during a two-day trip to Peking after attending the funeral of Emperor Hirohito in Japan, the White House said yesterday.

Mr Bush's visit to Peking on February 25 and February 26 was designed to "reaffirm relations between the United States and China," said Mr Marlin Fitzwater, the White House spokesman.

"The President has very close ties with China, having served there and having made two trips to China as vice president," he said.

Mr Bush was head of the US Liaison Office in Peking after President Nixon restored relations with China. He may extend his Far East trip which has turned into an early and important foray for the new President whose experience lies in foreign, rather than domestic policy.

The White House dismissed suggestions that the visit to China represented a snub to President Mikhail Gorbachev, the Soviet leader, who has expressed a desire for an early summit with the new US leader. The new Administration has said a renewal of high-level talks must await a strategic review of US-Soviet policy, discussions with the US Nato allies, and talks between Mr James Baker, US Secretary of State, and Mr Eduard Shevardnadze, Soviet Foreign Minister.

"The President is on a deliberate track of meeting with officials as the opportunity arises... He has often said he will be prepared to meet with President Gorbachev when the time is right," Mr Fitzwater explained. He added that he did not know if Moscow had been alerted.

There was speculation in Washington yesterday that Mr Bush may have decided to preempt Mr Gorbachev's efforts to improve relations with the Chinese Communist leadership after 30 years of hostility.

Among the likely issues on the agenda in the two days of talks are China's role in promoting a regional peace settlement in Kampuchea, trade relations including US curbs on high-technology exports, Taiwan, and the need to curb the proliferation of intermediate-range missiles in the Persian Gulf. China last year sold such missiles to Saudi Arabia, triggering US protests.

Mr Fitzwater suggested more stops could follow the two days in Peking: "It's clearly in an expanding mode... this is not the final parameters of the trip."

Mr Bush spoke with Mr Gorbachev by telephone on his second day in office after the Soviet leader congratulated him on his formal inauguration to the presidency.

Shevardnadze may meet Deng

Soviet Foreign Minister Eduard Shevardnadze is expected to meet Deng Xiaoping, the Chinese leader, when he visits China early next month, according to Soviet representatives in Peking. The meeting would be a key encounter between the two Communist nations, and, as it would precede US President George Bush's planned visit to China, Moscow may now feel under pressure to woo Peking still more eagerly. Page 4

Boskin says US should aim for budget surplus

By Peter Riddell, US Editor, in Washington

THE US economy can combine a likely growth rate of 3 per cent with a "substantial" decline in short term interest rates later this year, Professor Michael Boskin predicted yesterday in his first official comments as chairman designate of the President's Council of Economic Advisers.

During his confirmation testimony to the Senate Banking Committee, Professor Boskin stressed that his projection depended on a "serious reduction in the Budget deficit being agreed early in the year." He said the aim should be to move not only into budget balance over the next four years, but then to a surplus so as to boost US net savings.

While the professor carefully avoided any public disagreement, his comments differed in emphasis from those made recently by Mr Alan Greenspan, chairman of the US Federal Reserve, on the implications of sustaining recent rates of economic growth.

He argued that it was possible to reconcile the growth forecast with lower interest rates only with agreement on a package to reduce the budget deficit and in the light of recent actions by the Federal Reserve demonstrating resolve against inflation.

Professor Boskin said that the growth rate of Gross National Product was likely to slow slightly anyway between 1988 and 1989 – from slightly over to slightly under 3 per cent on a year-on-year basis – if the impact of last year's drought was excluded from the estimates.

He suggested that confusion has arisen because of the attention given to the fourth quarter 1988 figures, which indicated an acceleration from 2.6 per cent to 3.5 per cent expansion this year because the base period had been especially depressed by the drought.

On this basis, Professor Boskin provisionally accepted the projections of the outgoing Reagan Administration, although he said he was reluctant to endorse in detail its forecast of a decline in the three-month Treasury bill rate from 8.3 to 6.3 per cent, beyond saying he expected a "substantial" drop later in the year.

The aim, he said, must be to provide the Federal Reserve with "elbow room to provide liquidity and growth in the economy."

Professor Boskin said he was currently revising and updating the recent Reagan forecasts and would be producing his own "fully developed statement" as part of President Bush's Budget proposals in two weeks' time.

He said it should be possible to reduce the Budget deficit without a tax increase. While reluctant to identify possible expenditure savings, he noted the options of a slightly slower rate of growth or a flattening in the defence budget, and restraint of the rate of price increase for medical and health care, which had been much faster than inflation generally.

The professor, previously an economist at Stanford University, may be closer to Mr Bush, and have greater influence with him, than recent chairmen of the council were to President Reagan, having acted as Mr Bush's chief economic adviser during last year's election campaign.

Tower questioned, Page 3

Closing of an era on Wall Street

By James Buchan in New York

THIS week ends an era in US corporate finance. Two events mark its passing.

First, Drexel Burnham Lambert, the Wall Street investment firm, lined up potential investors for its key portion of the $25bn leveraged buy-out of RJR Nabisco. The firm said yesterday it would soon price the $3bn in the high-risk, high-yield "junk" bonds that must be placed with investors if commercial banks are to back the ambitious deal.

Second, Drexel Burnham sacked Mr Michael Milken, the man who taught the firm how to sell junk bonds.

The sacking of Mr Milken, the most influential and controversial US financier in recent history, was forced on a reluctant Drexel Burnham by US Government prosecutors. It is part of a package of conditions, including $650m in penalties and a string of guilty pleas, that Drexel Burnham accepted on Tuesday to escape prosecution for its junk bond business.

But the RJR Nabisco deal also shows that Drexel Burnham probably no longer needs Mr Milken. Wall Street says that the firm, a Wall Street also-ran until it was transformed by Mr Milken's magic in the early 1980s, now has the breadth and the capital to do without him.

In the past two years, Mr Milken has been under intense investigation and much less involved in deals. But Drexel Burnham has retained its preeminent position in the $170bn junk bond market.

Prosecutors say they will indict Mr Milken soon. In the charges against Drexel Burnham filed this week, Mr Milken – called John Doe for technical reasons – is accused of conspiring with Ivan Boesky, the imprisoned arbitrageur who turned state's evidence in 1986, in a range of securities violations from concealing stock ownership to insider trading and defrauding clients. A broadly similar set of civil charges was filed by the Securities and Exchange Commission last September.

Mr Milken, who has denied all wrongdoing, remains an enigmatic figure even after years of investigation. He is 42, the son of a California accountant, wears a toupee, lives quietly with his family and is probably worth $1bn.

People who know him say he has an unparalleled capacity for hard work and an

Continued on Page 18

Toyota favours UK site for European car plant

By Kevin Done, Motor Industry Correspondent, in London

TOYOTA, Japan's leading car maker, favours the UK as the location for its first West European car assembly plant.

The project will be one of the biggest Japanese inward investments in West Europe and signals the start of the next wave of the Japanese attack on the European car market in the 1990s.

In a statement to be released in Tokyo this morning, Toyota is expected to confirm its plans to build a car assembly plant on a "greenfield" site in West Europe, most probably in the UK. A final decision is expected by the end of the year.

Toyota plans to invest around £600m in a plant to build some 200,000 cars a year. The plant will eventually create some 3,000 jobs.

Mrs Margaret Thatcher, the British Prime Minister told the House of Commons yesterday that the UK was "the lead country of Toyota's choice."

She assured MPs that Toyota would be welcomed in the UK and that the Government would "work closely with" the company and consider any application for state aid.

Lord Young, the UK Secretary of State for Trade and Industry, said in a written parliamentary answer that the UK was "the lead candidate for the project." It is understood that the statement had been agreed in advance with the company.

Lord Young said he had told Toyota that the company would receive a "warm welcome from the Government" if it decided to build a plant in the UK.

Toyota had been invited to "work closely" with the Department of Trade and Industry in pursuing its feasibility studies. He said that Toyota's plans were based on a plant producing up to 200,000 cars a year.

The cars would have a local (European Community) content level which would eventually rise to 80 per cent after a transitional period.

The disclosure that the UK is the favoured candidate for the Toyota car plant will provoke fierce reactions from some other EC member states and leading European car makers.

In the absence of an EC ruling it is understood that the UK would insist on a similar arrangement for Toyota to the agreement reached with Nissan in the mid-1980s. This stipulates that Nissan's UK-built cars are considered as EC products when they reach 60 per cent local content, but that they must reach 80 per cent local within about two years.

British Steel in Klöckner talks

By Nick Garnett in London and Haig Simonian in Frankfurt

BRITISH STEEL is one of a number of companies talking to Deutsche Bank about the possible purchase of all or part of Klöckner & Co, the big West German trading group with steel interests, which the bank rescued last year.

The UK company, which was privatised in December after 20 years in the public sector, said yesterday that Deutsche Bank had approached it, along with other companies, "in its search for an alternative long-term investor" in Klöckner. British Steel was "considering the position."

The German group has an 18 per cent stake in Klöckner-Werke, the steel-maker, plastics and machinery company which also markets most of the steel made by Klöckner-Werke.

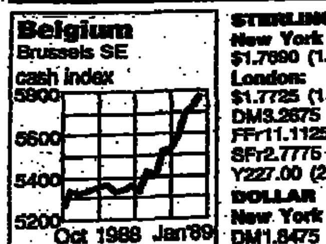
Klöckner & Co announced in October that it was in trouble, having accumulated losses of up to DM700m ($380.4m) through trading in the oil futures market.

Other companies interested in at least part of Klöckner & Co are thought to include Fiat, the Italian vehicle and industrial group.

Mr Herbert Gienow, chief executive of Klöckner-Werke, said a takeover by any competing steel producer would cause "extraordinary disruption" to the trading links between his company and the group as a whole.

Lex, Page 18; Background, Page 19

MARKETS



INTEREST RATES
US lunchtime
Federal Funds 9¼% (9⅜)
3-mth Treasury Bills: yield: 8.636% (8.57)
Long Bond: 10⅜ (10⅜)
yield: 8.8222% (8.82)
London
3-month Interbank: close 13⁵⁄₁₆% (13⁵⁄₁₆)

STERLING
New York lunchtime
$1.7690 (1.7710)
London:
$1.7725 (1.7710)
DM3.2675 (3.2650)
FFr11.1125 (11.1050)
SFr2.7775 (2.7750)
Y227.00 (226.25)

DOLLAR
New York lunchtime
DM1.8475 (1.83975)
FFr6.2815 (6.2620)
SFr1.5700 (1.5645)
Y128.20 (127.325)
London:
DM1.8440 (1.8430)
FFr6.2700 (6.2700)
SFr1.5875 (1.5665)
Y128.10 (127.75)

GOLD
New York latest Comex month
$403.2 (406.

STOCK INDICES
New York closing
Dow Jones Ind. Av.
2,291.07 (+26.18)
S&P Comp
291.88 (+2.74)
London:
FT-SE 100
1,959.8 (+20.8)
World:
143.82 (+0.1)
Tokyo
Nikkei Ave
31,511.81 (-55.98)
Frankfurt
Commerzbank
1,672.8 (-15.4)

OIL
Brent 15-day (Argus)
$17.55 (+0.10) (Feb)
West Tex Crude
$18.145 (-0.06) (March)

CONTENTS

Malaysia's silver lining shines through the political cloud

Malaysia, the world's largest producer of rubber, has, under Prime Minister Dr Mohamad Mahathir, bounced back from recession to outperform the world economy
Page 4

Pöhl puts stress on need for a strong D-mark

By Andrew Fisher in Frankfurt

MR KARL OTTO POHL, president of West Germany's Bundesbank, yesterday stressed the need for a strong D-mark and curbs on money supply growth to guard against inflation, as official figures showed a sharp rise in prices this month.

He also welcomed the tightness of US monetary policy and said there were justified hopes that inflation and inflationary expectations there could be kept in check. "This is also of great significance for us," he said. A speeding up of US inflation "would very probably mean the end of the near seven-year phase of economic upturn sooner or later".

Mr Pöhl's remarks, in a Hamburg speech, were made a week after the central bank increased its key interest rates by half a point as part of its more restrictive monetary policy. Since then, the D-mark has risen against the dollar as central banks have intervened heavily on currency markets. Mr Pöhl also said the contribution of exports to Germany's economic growth should come down, a reflection of Bundesbank concern about continuing high surpluses.

Because of the D-mark's role as a major world currency, the exchange rate implications of monetary policy had to be taken into account. Thus he said that Germany's monetary policy had to help combat a further devaluation of the D-mark – between the end of 1987 and mid-January, it fell by 15 per cent against the dollar and nearly 5 per cent against the currencies of major trading partners – to help price stability and even out severe world economic imbalances.

Backing up the Bundesbank's anxiety about inflation, provisional figures from the Federal Statistics Office showed that the rate of price increases speeded up sharply this month. The cost of living was 2.5 per cent higher compared with January 1988, based on returns from four German states. In December, the increase was 1.6 per cent.

Lawson lobs a 'great boulder' towards Europe

Peter Norman surveys the damage after the Chancellor's latest attack on the single European Bank

MR NIGEL LAWSON chooses the occasions of his set-piece speeches carefully.

On Wednesday evening, behind the graceful 18th century facade of London's Chatham House and surrounded by many ardent admirers of European integration, the British Chancellor of the Exchequer bluntly accused the supporters of European economic and monetary union of throwing a "great boulder" in the way of achieving the single European market by 1992.

In the event, Mr Lawson, in his address to the Royal Institute of International Affairs, lobbed a great boulder of his own into the workings of the 17-strong Delors Committee of central bank governors and outside experts charged last summer by EC heads of government with studying "concrete steps" towards economic and monetary union in the 12 nation bloc.

One European central bank official yesterday said Mr Lawson's speech was not so much a shot across Mr Jacques Delors' bows as an Exocet missile into the guts of the committee.

Last week, Mr Delors, as president of the European Commission, came out in favour of a European Central Banking system and a framework for enhancing national economic policies. He told the European Parliament that progress towards economic and monetary union "would be considerably facilitated by an appropriate institutional framework".

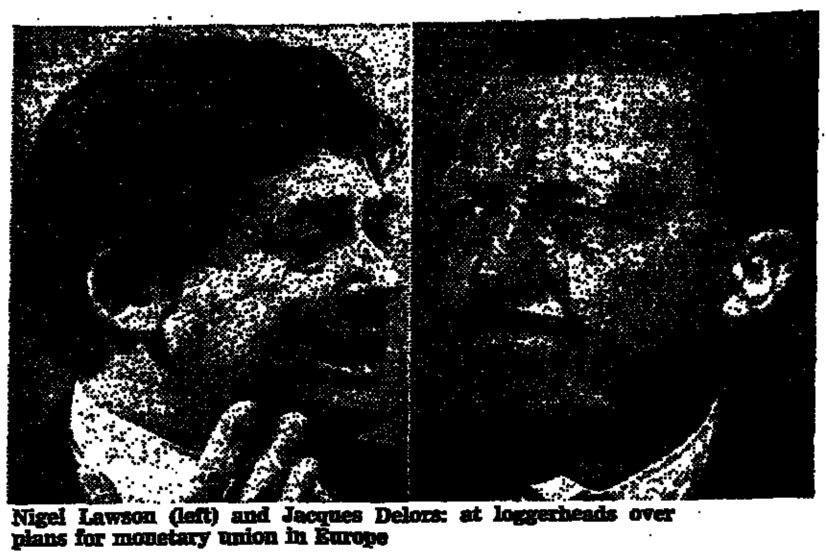
In his speech on Wednesday night, the Chancellor served notice that Britain would exercise its right of veto against any such move.

Mr Lawson's decision to come out his self-imposed pre-Budget purdah to reject the idea of economic and monetary union was skilfully timed. The Delors Committee, which has been meeting monthly since last September, is only now starting the crucial final drafting phase of its work. It has three more sessions scheduled in which it is due to produce a report of its findings for EC finance ministers. This report will be forwarded for consideration by the EC heads of government at their summit in June.

Despite Mr Delors' statements in favour of an institutional approach to economic and monetary union, several members of the committee are sympathetic to British opposition towards such a move.

In its early sessions, the committee spent much time studying earlier ideas for the creation of economic and monetary union in Europe and the lessons from the 19th century unifications of Italy and Germany. A confidential draft report by the committee last year cautioned that moves towards monetary union such as the creation of a single currency or a European central bank should not be undertaken without parallel moves towards economic integration.

Mr Maurice Doyle, the governor of the Irish central bank, won a great deal of attention when he warned in November that monetary union should only be the final stage of a process of economic integration in the community. Otherwise the fringe areas of Europe would suffer economically.



Nigel Lawson (left) and Jacques Delors: at loggerheads over plans for monetary union in Europe

However, many of the central bankers on the committee are enthusiastic supporters of the European Monetary System. Some, such as the French and Italian governors, believe that the EMS should be developed as a half-way stage towards economic and monetary union. The December draft report, therefore, contained the blueprint of a future European central bank and traced the path by which it should be established.

During most of the committee's deliberations, Mr Delors has held his cards close to his chest. His remarks in the European parliament last week were the clearest indication to date that he was still enthusiastically supporting ideas of a common currency and a European central bank.

It is for this reason that some European central bankers believe that Mr Lawson decided to throw his considerable weight into the debate against Mr Delors.

Mr Lawson's remarks were significant in that they contained none of the previous British "sub-text" on economic and monetary union. These are that the UK would countenance such a move if it came about organically, from the "bottom up" through the will of businessmen and ordinary citizens as they got used to the practices and benefits of the single European market after its creation in 1992.

Some central bankers yesterday were suggesting that he put his position in the harshest possible way, deliberately to torpedo the Delors deliberations. By making clear that Britain would veto any move towards a central bank or common currency, he was in effect inviting the committee to conclude that such a step would be impractical.

The central bank-dominated committee has from the beginning been a major potential handicap for Mr Delors' integrationist ambitions. But Mr Delors will be free of it and able to influence the heads of government as he thinks fit once it has reported to the EC finance ministers in April or May.

A hostile report by the Delors committee or a split in its ranks would leave the Commission president in a very weak position to pursue his goals. Such an outcome could be just what Mr Lawson and Mrs Thatcher are seeking.

Fears for French industry as trade deficit worsens

By Ian Davidson in Paris

FRANCE'S foreign trade deficit deteriorated in December, bringing the shortfall for last year to FFr33bn (£2.97bn). The 1988 figure, although not much higher in aggregate than the 1987 total, contains a worrying pointer to a loss of French competitiveness, with a substantial expansion of the deficit in industrial trade.

This deterioration of the trade balance in industrial goods continues a trend stretching back four years, and which has prompted anxious research by the Government and private economists into the loss of market shares.

Several studies have suggested the problem is not so much a loss of price competitiveness in crude terms, as a *failure of competitive specialisation* in many French industrial sectors.

In 1985 France enjoyed a trade surplus in manufactured goods of FFr89bn; in the following year this shrank to a surplus of FFr35bn; and in 1987 the industrial trade balance tipped over into a deficit of *FFr10.4bn*.

Within the overall deficit for 1988, the industrial shortfall quadrupled to FFr42.2bn, whereas the surplus in food and farm products rose substantially from FFr29.2bn to FFr39.4bn, and the energy deficit declined from FFr82.1bn to FFr66.7bn.

The Government reported a seasonally-corrected trade deficit for December of FFr4.1bn, representing a level of import cover of 95 per cent, with imports of FFr90.4bn and exports of FFr86.3bn. This compares with a deficit of FFr3.6bn in November, and a slightly higher level of import cover, at 96 per cent.

The main components of the December out-turn were an increase in the surplus on agricultural and food trade, from FFr2.7bn to FFr3.4bn, an increase in the energy deficit from FFr4.7bn to FFr6bn, and a stagnation in the industrial deficit of FFr4.8bn, compared with FFr4.9bn in November.

● French unemployment rose slightly in December to a seasonally adjusted 2.54m. The figure, 1.4 per cent up on November's, represents 10.1 per cent of the workforce.

Global talks on energy use urged

By William Dullforce in Davos

THE NORWEGIAN Prime Minister, Mrs Gro Harlem Brundtland, yesterday called for global talks on energy resources and marketing, and on the climatic effects of energy use.

Norway, she said, was ready to host a "constructive energy policy" meeting of government leaders. Both economic and environmental concerns called for concerted action to avoid wild fluctuations in oil prices.

Energy prices were at the core of the greenhouse problem, the warming of the Earth, in part caused by carbon dioxide emissions.

Ms Brundtland put forward her proposal on the opening day of the World Economic Forum, the annual businessmen's gathering in the Swiss ski resort of Davos.

She also called for a global economic summit to chart a strategy for the 1990s capable of generating more equitably distributed growth and of responding to environmental challenges.

The summit would be a follow-up to "Our Common Future", the report published in 1987 by the World Commission on Environment and Development, which she chaired. It highlighted the fragile ecological balance on which sustained economic development is based.

All viable policy options for the 1990s presupposed radical changes in international economic co-operation, Mrs Brundtland said yesterday.

The tight monetary and fiscal policies and supply side emphasis adopted by industrialised countries in the 1980s had cut inflation and budget deficits and restored profitability. But they had been unable to redress the most severe economic setback in the developing world since the Second World War.

The market alone was a most inadequate instrument, since there were objectives with which market forces were not concerned. The market did not ensure stability, equality or justice, or take account of ecological consequences.

Moscow reveals extent of executions under Stalin

By Quentin Peel in Moscow

HORRIFYING details of the extent of mass executions by the Soviet security police during Stalin's rule have been officially confirmed, suggesting that at least 30,000 victims were shot and dumped in mass graves in a forest outside Minsk, capital of Byelorussia.

A government commission investigating the atrocities has discovered 510 mass graves, and between 50 and 60 bodies have been found in each of the first six to be excavated.

The massacres took place in the forest of Kuropaty, between 1937 and 1941, the height of the Stalin purges. Now the Byelorussian Government has bowed to public pressure, and agreed to build a monument to the victims.

Ms Nina Mazai, deputy chairman of the Byelorussian Council of Ministers, and chairman of the investigating commission, said there was still no way of telling the exact number shot in the forest. An archaeologist who revealed details of the massacre last year claims the figure could be 150,000.

The Kuropaty massacre has been one of the first to be thoroughly exposed in the Soviet press, with horrifying descriptions in the weekly newspaper Moscow News of how truckloads of people were seen by peasants being driven into the forest and shot.

"We know who was responsible for shooting the people buried in Kuropaty – the NKVD," Ms Mazai told the government newspaper Izvestia, referring to the initials of the Stalinist security police, forerunners of today's KGB.

"What is proving difficult is finding out the names of those who issued the orders to be killed."

She said the NKVD did not appear to have kept any documents or archives. Forty names had been found of NKVD personnel who took part in the executions, but many of them had themselves been shot.

"In other words," she said, "it is early yet to close this affair."

Apathy reflects mood of West Berlin electorate

By Leslie Colitt in Berlin

THE campaign for the West Berlin elections next Sunday reflects the mood in Germany's largest city – a yawning disinterest in local politics.

The ruling Christian Democrats (CDU) under Mr Eberhard Diepgen, the dynamic young governing Mayor, seem assured of regaining their position as the largest party in West Berlin.

Past scandals in Mr Diepgen's administration have largely rolled off his back. At the same time he is faced with unemployment of more than 11 per cent and one of the worst housing shortages in West Germany.

The Mayor, however, has argued that even these liabilities were assets. He noted recently that they were a side-effect of the growing attraction of West Berlin which last year absorbed nearly 20,000 German emigrants from the East. The heavy loss of population in the 1960s and 1970s has been made up and West Berlin – once proclaimed a dying city – again has a population of 2m.

The opposition Social Democrats under the capable but uninspiring Mr Walter Momper, seemed unable to capitalise on the CDU's mistakes. The CDU's election posters of Mr Diepgen, captioned "Berlin needs him."

The SPD's election posters soft-pedalled Mr Momper, instead emphasising Berlin's tolerance with a young demonstrator offering a flower to a policeman. But opinion polls showed the CDU could drop well below the record 46.4 per cent it gained in the 1985 elections.

The opposition Social Democrats (SPD) were thought likely to improve on their previous 32.4 per cent of the votes. But even if the SPD and the Alternative List (AL), the West Berlin Green party, were to gain a majority in the legislature the SPD has vowed that it would not form a coalition with the AL under any circumstances. The liberal Free Democrats (FDP) are expected to get 8 per cent of the vote.

Calvi death was murder say judges

JUDGES in Milan have ruled that Roberto Calvi, the Banco Ambrosiano chairman found hanged in 1982 from Blackfriars Bridge in London, did not commit suicide, but was murdered, writes Alan Friedman in Milan.

The verdict, after a lengthy inquest, confirms the long-held view of most Italians, but is at odds with an "open" verdict by a London coroner. The Milan verdict was sought by his widow, who is trying to collect L40m (£1.6m) of life insurance.

The Milan judge's investigation included a simulation by stuntmen of the alleged suicide. They found it would have been difficult for Mr Calvi, 62, his pockets stuffed with bricks and suffering from vertigo, to have lowered himself from scaffolding beneath the bridge. Also, autopsies did not reveal the head lesions normally associated with suicide.

Banco Ambrosiano crashed in 1982 with $1.3bn missing.

It is unlikely that the insurance company involved, Assicurazioni Generali, will pay unless the ruling is upheld on appeal. Meanwhile, magistrates conducting a criminal investigation of the case are still differing.

Swedish schools minister named

SWEDEN'S Prime Minister, Mr Ingvar Carlsson, has altered his cabinet five months after the general election, writes Robert Taylor in Stockholm.

The most important change is the creation of a minister responsible for schools. In recent weeks the education system has been embroiled in political controversy, sparked by a budget proposal to cut education spending which was dropped after nationwide protests.

The new job has gone to Mr Goran Persson, who advocates lowering the age for starting school from seven to six, and who has wide experience of education at local government level. He will be responsible for schools, sixth form colleges, adult education.

Mr Bengt Göransson will become Education Minister with direct responsibility for the institutes of advanced studies as well as universities and research activities.

Finns' new minister

FINLAND'S Social Democratic Party chairman, Mr Pertti Paasio, has been appointed Foreign Minister, writes Olli Virtanen in Helsinki. He replaces Mr Kalevi Sorsa, who resigned on Tuesday. Mr Sorsa will join the board of the Bank of Finland and will probably be elected Speaker of Parliament. Mr Paasio's appointment ends a long debate on how the head of the country's biggest party could be included in the Government.

Brussels takes close look at Channel route sharing

By William Dawkins in Brussels

JOINT cross-channel ferry services run by Sealink and two Dutch and French carriers are being examined under EC rules against anti-competitive agreements, the European Commission said yesterday.

The Brussels authorities are inviting comments by February 20 before deciding whether to clear long-standing consortium agreements, covering ferry services between the UK, France and the Netherlands. They are understood to be inclined towards giving preliminary approval to the accords.

Sealink, the British carrier, has for many years shared the route between Harwich and the Hook of Holland with state-owned Crown Line, formerly known as Stoomvaart Maatschappij Zeeland.

Six months ago the Dutch Government announced plans to privatise Crown Line. Sealink and others have expressed interest in bidding for the company, a move which would also need clearance from EC anti-trust authorities.

Sealink has a similar route sharing accord with the maritime arm of SNCF, the French public railway group, for the Calais-Dover and Boulogne-Folkestone routes. Vessels belonging to all three companies sail on those routes under the Sealink name, offering jointly-agreed fares and sharing costs and port facilities.

The Commission can clear such agreements so long as they offer some broader benefit such as improved distribution or economic progress. It believes these accords ensure reliability and improve rail connections to consumers' benefit.

Solidarity chief considers stance on reforms

By Christopher Bobinski in Warsaw

MR LECH Walesa, the head of Solidarity, the banned Polish trade union movement, yesterday conferred with his advisers in Warsaw ahead of talks expected soon with senior party officials as several thousand people attended the *funeral of a priest murdered in* mysterious circumstances a week ago.

The expected meeting comes ahead of a round table session due on February 6, which is to map out political reforms and a return by Solidarity to public life.

The priest, 74-year-old father Stefan Niedzielak, had over the years turned his church into a sanctuary commemorating Poles murdered in the Soviet Union during and after the war and he had also actively been involved in helping those who still live there after being deported in 1940.

Father Niedzielak had received numerous threatening letters warning him to desist and the majority of mourners at the funeral believed the authorities were involved

The police however have issued a statement ruling out the possibility of murder. This was dismissed as nonsensical by lawyers retained by the church who are attending the investigation.

Meanwhile at a meeting yesterday the official trade unions in effect supported Solidarity's right to exist.

Pay talks cloud Spanish view

By Tom Burns in Madrid

A ROSY picture of Spain's performance last year, presented yesterday by Mr Carlos Solchaga, the Finance Minister, was upstaged by the prospect of widespread industrial unrest after the apparent breakdown of talks between the Government and unions on wages and unemployment benefits.

Mr Solchaga said provisional figures indicated a growth in gross domestic product last year of 5 per cent, and he cited a strong surge in investment and the creation of 320,000 jobs

There was gloom in the Government, however, over a blanket union rejection of what Mr Solchaga termed a "final" cash offer to meet their demands.

Ministers and union leaders have been holding marathon talks since a general strike on December 14.

The two sides, which had committed themselves to ending the talks by January 31, even if there were no agreement, both said yesterday there was no point holding further sessions unless the other backed down.

Mr Solchaga said the only causes of concern in what had been "a positive" economic year in general terms were a 5.8 per cent inflation rate, nearly twice as high as the Government had forecast, and a deteriorating trade balance.

Any further concessions to the unions beyond what had already been put before the negotiating table would have negative effects on the economy.

The "final" government offer, consisting of a Pta344bn (£1.7bn) package spread over two years to cover higher public employee pay, pensions and unemployment benefits represents, according to the unions, a mere 40 per cent of what they are seeking.

Portugal's pay-price pact at risk

By Diana Smith in Lisbon

DIFFERENCES of opinion between Portugal's management, unions and Social Democrat Government are jeopardizing the 1989 wage-price pact.

The pact is negotiated each year by a Permanent Bargaining Council comprising the Finance and Labour ministers, the three employers' confederations, and the independent UGT and pro-communist CGTP union confederations.

To mollify workers, after a tense 1988 when wages shrank in the face of 11.4 per cent inflation – five points above government forecasts on which last year's wages were based – Mr Anibal Cavaco Silva, the Prime Minister, personally assured the UGT leadership of rises of 8.5-9 per cent in 1989 (level with expected inflation), a 44-hour working week and deduction by employers of workers' union dues, to be passed on to the unions.

The employers condemned the Premier and the UGT for doing a deal behind their backs, and at the Bargaining Council meeting this week declined to sign the pact. They refused to deduct union dues – a left-wing practice, they said, imposed by the 1975 revolutionary government and abolished by its moderate successors.

Mr Cavaco Silva says the proposals are balanced and that the employers' attitude is "incomprehensible in modern Europe".

The CGTP, too, has rejected the pact and is demanding 13 per cent wage rises to restore purchasing power.

The Bargaining Council row has erupted amid threats of a general strike over government attempts to undo 1975 labour laws that make it almost impossible to sack workers, and to adjust hiring and firing to more flexible European Community practices.

● Direct foreign investment in Portugal doubled last year compared with 1987 to an unprecedented Es138bn (£516m). Investment from EC partners represented 64 per cent of the total.

EC foreign ministers to meet Arafat

By Tom Burns

THE European Community's bid to mediate in the Middle East conflict was due to take a step forward last night with the arrival of Mr Yassir Arafat in Madrid for exploratory talks with the foreign ministers of Greece, Spain and France.

As outgoing, present and incoming EC presidents respectively, the ministers form the community's "troika" for Middle East diplomacy – by chance from the three EC countries most keen on involving Europe in Middle East peace initiatives and sympathetic to the PLO.

Last month the EC's Council of Ministers agreed to put the Community's weight behind bids to hold a Middle East peace conference under United Nations auspices. Earlier this month Spain's Mr Francisco Fernandez Ordonez made a fact-finding trip to Jerusalem.

Following today's meeting with the leader of the Palestine Liberation Organisation, Mr Fernandez Ordonez and his troika colleagues are to visit Syria, Jordan and Egypt early next month and report to the Council of Ministers in Madrid on February 14.

De Mita pays a heavy price for the lifting of strike threat

By John Wyles in Rome

THE ITALIAN Government yesterday purchased a trade union decision to call off a threatened general strike next Tuesday, but at a price that adds to the crisis in the public finances and to evidence of growing division in the coalition government.

Satisfied with a marathon *negotiation ending just before* dawn, Italy's three union confederations, the CGIL, CISL and the UIL, signalled that the strike call would be lifted formally today.

Their leaders – respectively Bruno Trentin, Franco Marini and Giorgio Benvenuto – had not only won important concessions in government tax reform policies, but had also gained a role in economic policy-making which their unions had not enjoyed for years.

Government officials were *stressing yesterday that* this step back towards traditional Italian corporatism really meant that the unions were ready to help the Government achieve its objectives of holding down public sector pay and cutting spending on health, welfare and pensions. But a 10-page "treaty" signed by both sides commits the unions only to dialogue on these issues

One significant absentee from the signing was Mr Giuliano Amato, the Treasury Minister and author of the plan for stabilising Italian public debt by 1992. He left before midnight and, whether he meant to or not, seemed to be dissociating himself from proceedings likely only to add to his debt management problems.

This left Christian Democrat Mr Ciriaco De Mita, leader of the five-party coalition, his deputy, Mr Gianni De Michelis (Socialist), and his Finance Minister, Mr Emilio Colombo (Christian Democrat), to make the key concession which will confer on taxpayers from January a degree of protection against fiscal drag probably without equal in Europe.

The Government has promised to adjust tax rates fully in line with inflation if price rises in any year have risen above 2 per cent in the 12 months to August 31. The first compensation will be in the 1990 budget and, with inflation at close to 6 per cent, will cost L2,000bn (£840m) in lost revenues on Mr Colombo's estimate.

It has also agreed to lower employees' social security contributions at a possible further cost of L1,500bn.

Some economists, notably at Confindustria, the industrialists' association, could hardly believe yesterday that the Government had conceded another indexed mechanism when the problem of runaway public spending owed so much to others in areas such as pensions and welfare.

At the least, Mr Amato's colleagues did not seem to have paid much heed to the warning from IMF experts on Monday that there was not a moment to lose in attacking the budget deficit, now standing at 11.5 per cent of gross domestic product and rising. Government officials argued yesterday that another IMF warning about resurgent inflation had, however, won a response since the unions had conceded that the wage indexation system should not reflect the impact of a rise in VAT rates from 2 to 4 per cent on a range of basic products.

The rest of the agreement commits the Government to tighten its plans for cracking down on tax evasion and avoidance, in particular among the self-employed and small businesses. But ministers did also agree to widen the tax base by producing proposals before May for the taxation of investment and financial income.

The Government came to *make such an agreement*, in a nutshell, because it has suddenly been weakened in the last few weeks by two factors. One is that Mr De Mita is increasingly preoccupied by his battle with senior party colleagues for control of the Christian Democratic party congress next month. The other is that both the general strike threat and the concessions were orchestrated by the Socialists whose leader, Mr Bettino Craxi, is anxious to see Mr De Mita lose that battle.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societats-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, Copenhagen, DENMARK

Venezuelan U-turn on loans expected

By Stephen Fidler, Euromarkets Correspondent

VENEZUELA'S incoming administration, in a marked shift of strategy, is planning an economic programme which could obtain rapid approval from the International Monetary Fund and clear the way for loans from the Fund and the World Bank, according to international bankers.

The country's foreign bank creditors are being told that the programme will be announced by Mr Carlos Andrés Pérez shortly after his inauguration on February 2.

If announced as expected, the programme will mark an about-turn in the country's approach to international economic management. In the past, the Venezuelan Government has been implacably opposed to an IMF-sponsored package.

Mr Pérez has been viewed abroad as a populist on the debt issue. His officials have been talking with the IMF on the proposed package, but it could well be presented as a Venezuelan initiative which meets IMF approval.

Members of Venezuela's bank advisory committee were meeting yesterday in New York and were briefed on the new plan by Venezuelan officials, including Mr Edgar Leal, the new debt negotiator.

"It's a conventional, orthodox plan and they should be able to move ahead very quickly with a letter of intent from the IMF," said one senior banker in New York. An IMF programme would clear the way for a rescheduling and new funds from the commercial banks, requests for which were being strongly resisted last year.

Any programme which would obtain IMF approval could be expected to lead to reductions in the public sector deficit, changes to interest rates, a freeing of restrictions on the private sector, and tariffs and adjustment to the exchange rate, which currently encourages capital flight.

In fact, a devaluation would itself help the government deficit, since public sector companies, including the oil monopoly, are involved in a large proportion of exports. Some moves are also expected to alleviate the effect of such action on the private sector.

The country has an overall foreign debt of about $35.5bn (£20bn). The Government said at the beginning of the year that it would suspend principal repayments on much of its $30bn foreign debt to banks.

● The Venezuelan government yesterday signed agreements for $217.2m in new loans with Bank of America and three Venezuelan commercial banks, Joe Mann adds.

CANTV, the government-owned telecommunications concern, is to receive $80m for modernisation projects in the country's domestic telephone network. Bank of America is providing $75.8m and Banco Consolidado, a commercial bank, $4.2m.

Terms for the CANTV credits are an eight-year payback period with three years' grace at 1 percentage point over Libor, with a guarantee from the Republic of Venezuela.

In another operation, the Republic obtained $37.2m to finance on-going work for the Caracas Metro and other public works.

The funds are being supplied by two other commercial banks, Banco Provincial and Banco Mercantil. Terms for this loan are similar to those of the CANTV credit, a government official said.

The Venezuelan government has a foreign debt of $25.6bn. On December 31, it declared a moratorium on principal payments for most of its debt to international banks, which came into effect last week.

Pemex may lay off 40,000 workers

By Richard Johns in Mexico City

AS MANY as 40,000 workers — or nearly 20 per cent of its labour force — may be laid off by Petroleos Mexicanos (Pemex) as a result of a restructuring programme, according to reports in Mexico City.

Pemex had no immediate comment on the report in the newspaper El Financiero, which said manpower cuts would save 5,000bn pesos (£730m) in the wage bill of the corporation, which in international terms is grossly overmanned, partly because of the power of the oil workers' union.

The arrest this month of Mr Joaquin Hernandez Galicia, *spiritual leader of the Oil* Workers of the Mexican Revolution, and 48 of his top colleagues could eventually open the way for a radical re-organisation. On Wednesday, the Attorney-General said Mr Hernandez, known as La Quina, had been accused of ordering the murder in 1983 of Mr Oscar Torres Pancardo, who was secretary-general of one of the union's sections.

The killing is said to have been carried out by Mr Ramon Vazquez Mata, alias El Gavilan, an associate who was arrested recently in Monterret with five tonnes of marijuana, and by another associate.

A recent survey of 50 oil companies worldwide showed Pemex to be bottom of the league in earnings per employee at $73,000 compared with $187,000 for Petroleos de Venezuela, a comparable state oil corporation with a smaller output of crude oil.

According to El Financiero, the plan involves a reduction from 210,157 workers (including those not on the permanent establishment) to 170,157.

From 1982, the proportion of Pemex spending accounted for by wages and salaries rose from 5.7 per cent to 11.6 per cent, more than double, though the total employed increased by only a third.

MR John Tower, President *George Bush's choice as Secretary* of Defence, faced tough questions yesterday about the ties to US defence contractors which earned him more than $750,000 (£420,000) in two years, writes Lionel Barber in Washington.

Appearing before the Senate Armed Services committee reviewing his nomination, Mr Tower, formerly a Texas Republican senator, conceded that there was a "perception problem", but said he would bend over backwards not to favour his former employers.

Mr Tower worked as a consultant to Martin Marietta, LTV Aerospace, Rockwell, Textron and the US civil aviation sales subsidiary of British Aerospace after resigning as US negotiator in the strategic arms reduction talks in Geneva in 1986.

The Senate is expected to confirm Mr Tower, though doubts remain about his management skills, his ties to the defence industry and his earlier strong advocacy of the *$2,000bn military build-up* under President Reagan.

Some critics have suggested that the controversy surrounding his selection will inevitably weaken his standing in the Bush cabinet and make it more difficult for him to win support for the inevitable battle over defence spending in a new era of austerity.

Mr Tower, who chaired the Senate Armed Services committee between 1981 and 1985, said he expected to tighten rules governing defence consultants working for the Pentagon.

The new rules would probably force consultants to register if they were working for the Pentagon and other big contractors.

Mr Tower said that if he was confirmed as Defence Secretary, he would withdraw from any discussions on whether to disbar any of his former defence contractors as a result of the procurement scandal.

CHICAGO FRAUD INVESTIGATION

Mercantile body joins probe

By Deborah Hargreaves in Chicago

IN THE wake of the big FBI investigation into fraud at Chicago's futures exchanges, the Chicago Mercantile Exchange has set up a panel to look into its trading rules.

The panel, which comprises prominent futures industry figures including Ms Susan Phillips, former chairman of the industry's regulatory body, will look at all transaction rules and procedures.

Exchange officials admit that trading abuse does occur among the CME's several thousand members and say the panel will recommend structural improvements to enhance trading practices.

"There will be no sacred cows," said Mr Leo Melamed, chairman of the CME's executive committee, who expects the nine-member panel to makes its suggestions in two to three months time.

The CME's announcement came as subpoenaed traders began testifying before a grand jury, in the widest inquiry into the futures industry ever launched in the US. More subpoenas were handed out yesterday in what one trader called a "subpoena derby".

Traders believe the FBI left two "moles" on the exchange trading floors after the disclosure of the investigation last week. These agents were working as runners or clerks – a messenger function which put them in a position to gather much trading information.

The formation of the CME's panel is a move to fend off the inevitable calls for harsher regulation of Chicago's markets in the wake of the FBI probe.

"These sort of things are not good for public trust," said Mr Jack Wing, chairman of the Chicago Corp, who will also sit on the panel. "We're all concerned that there will be an overkill on regulation."

Argentine barracks rebel identified

THE leader of the group which took over La Tablada army barracks in the outskirts of Buenos Aires on Monday *has been identified as the head of* the People's Revolutionary Army (ERP), a left-wing extremist organisation active during the 1970s, Janette Stanbus writes from Buenos Aires.

Mr Enrique Gorriaran Merlo has a long terrorist record which is alleged to include leading the 1980 assassination attack in Paraguay on Mr Anastasio Somoza, the Nicaraguan former dictator.

The other prominent group involved in the attack was the All for the Fatherland Movement, a group that has made headlines recently for its allegations that Mr Carlos Menem, the opposition Peronist presidential candidate in the election next May, had met Colonel Mohamed Ali Seineldin, who led an uprising of army rebels in December.

Mr Jorge Bañas, the founder of All for the Fatherland, was killed in the attack. He was a well-known and articulate lawyer with a respectable career defending human rights. He was the leader of the Intransigent Party, a splinter group from the terrorists, until 1985. Last week he appeared on television chat shows accusing Mr Menem and Mr Seineldin of conspiring against the Government.

The motive for the attack is still unclear, but a leaflet found on Mr Alberto Farfan, one of the 28 insurgents killed in the fighting, said they aimed to pre-empt the army from staging a military coup.

The leaflet referred to the terrorists as members of an unknown group, the Popular Resistance Front.

Amazonian tribes meet over dam plan

By Ivo Dawnay in Rio de Janeiro

ELEVEN Amazonian tribes are to hold a five-day mass gather*ing in Altamira, in the state of* Para next month to protest at the Brazilian Government's plan to construct a major dam complex in the region.

The meeting, believed to be the largest of its kind ever held in the Amazon, is expected to be attended by more than 1,000 tribesmen, alongside representatives of ethnic Indian groups from the US, Canada and Malaysia.

Its aim is to put pressure on the Government to provide more information on the Xingu River hydroelectric scheme, which, protestors claim, will involve as many as five dams in the eastern Amazon, flooding 7,200 square km of rain forest in the Altamira area.

Officials of Electronorte were unavailable for comment yesterday, and it remains unclear how far the Xingu River project is advanced.

Garcia hits out at IMF 'shock' plan

By Veronica Baruffati in Lima

PERUVIAN President Alan Garcia launched a strong attack against the International Monetary Fund yesterday amid attempts to pursue a policy of rapprochement with international lending agencies.

In his first public statement since Mr Carlos Rivas Davila, the Finance Minister, returned from Washington after talks with the IMF and World Bank, Mr Garcia said: "We need more dollars coming into the country than going out. If this does not happen, then there is no point negotiating [with the IMF] — we will only end up paying more and decapitalise the little we have."

Mr Garcia said his Government would continue with its gradualist policy, initiated last September, of issuing periodic economic packages.

"The shock [stabilisation] programme *proposed by the* IMF would bring tremendous social consequences with it. If our small economic packages already have serious social impact, one big super shock programme would have dramatic social and even political consequences," Mr Garcia warned.

He described the IMF stabilisation programme as "incoherent" and said Peru would make other propositions.

"We have the oil resources, and the mining and agricultural exports to work out our own development. We cannot fall into the colonial trap of believing that only loans will solve the problem of Peru and Latin America... Would it do the national economy any good to pay $1bn now in the hope that they lend us $200m in two years' time?"

Mr Luis Alberto Sanchez, Peru's Vice-President, supports the tenets of an IMF programme. He favours the application of a shock which would halt inflation and give Peru access to fresh loans.

However, Mr Rivas, the Finance Minister, also expressed doubts about the austerity programme.

Mr Rivas had been in the forefront of mending bridges with the IMF and had indi*cated this month that Peru* would consider making a token payment of $30m to this end.

"I am not going to pay the $30m unless I get something in return... The IMF programme would put an even heavier burden on our already poor people," he said.

Mr Garcia also announced that the Soviet Union would award a credit line of $180m to be repaid over eight years, at a 5 per cent interest rate.

Greenspan says buyouts peaking

By Our Foeign Saff

FEDERAL Reserve Chairman Mr Alan Greenspan yesterday told the Senate Finance Committee there are reasons to believe that corporate leveraged buyouts and related restructurings are probably peaking at present, and as a result, legislation to address the phenomenon probably isn't required.

Mr Greenspan, however, said he would work "a lot" on supervision, especially in the banking area, to address any problems that might exist.

Correction

Partners of Princeton/Newport were not former employees of Drexel Burnham Lambert, as reported on Wednesday. An *illegal business relationship* between the two investment firms was alleged in indictments last August of five Princeton/Newport partners and a former Drexel employee on racketeering and fraud charges. Separately, Drexel has agreed to plead guilty to a charge of fraudulent securities trading involving Princeton/Newport, which is a small New Jersey firm in the process of liquidation.

OVERSEAS NEWS

Irish and Iranian envoys work on hostages' release

By Kieran Cooke in Dublin

DIPLOMATIC moves by the Irish and Iranian governments were underway yesterday as hopes rose for the release of two more hostages held in Lebanon.

Reports circulating in Dublin said that Mr Brian Keenan, an Irish teacher, and Mr John McCarthy, the British journalist, were about to be released. While the Dublin Government would say nothing officially, Mr Brian Lenihan, the Irish Foreign Minister for Foreign Affairs, was said to be optimistic about developments.

In Beirut, Mr John Ramsey, the British ambassador to Lebanon, said his embassy was urgently checking the latest reports concerning the hostages.

On Wednesday, a report from Beirut in the newspaper, al-Hayat, which is published in London, said that Mr Keenan and Mr McCarthy could be released within 72 hours. The reports made no mention of Mr Terry Waite, the special envoy of the Archbishop of Canterbury, who is also hostage.

Mr Pat McCabe, the Irish Ambassador to Iraq, who is also accredited to Lebanon, was yesterday on his way to Beirut to investigate. Mr Declan Connolly, Ireland's Ambassador to Saudi Arabia, is in Damascus, and is reported to have made contact with Dr Ali Akbar Velayati, the Iranian Foreign Minister. Dr Velayati has been meeting pro-Iranian guerrilla groups suspected of holding Mr Keenan and other hostages.

In recent months, both Mr Charles Haughey, Ireland's Prime Minister, and Mr Lenihan have had meetings with Dr Velayati, and it is believed that Ireland has been carefully working behind the scenes to try to obtain Mr Keenan's release.

Britain has also stepped up pressure for the release of its hostages in recent weeks. The Foreign Office, which agreed to normalise ties with Iran last year, has told Dr Velayati that a further improvement in relations will be impossible without serious Iranian efforts on the hostage issue.

Mr Keenan, 38, had been teaching at the American University of Beirut and was kidnapped in the Moslem West of the city in April, 1986. He comes from Belfast, and relatives and friends have been mounting a campaign for his release. Yesterday, two sisters of Mr Keenan were in Dublin and had a meeting with the Iranian Ambassador to Ireland. Afterwards, they said there was little hard news about their brother. "We have been disappointed too many times," they said.

Iranian minister says Briton will be punished

By Andrew Gowers, Middle East Editor

MR ALI Akbar Mohtashemi, Iran's Interior Minister, said yesterday that Mr Roger Cooper, the British businessman who has been held in a Tehran jail for the last three years, would be "punished according to Islamic laws" for alleged espionage.

The statement from one of the regime's leading hardliners, transmitted by the official Islamic Republic News Agency, indicated that Tehran has yet to decide on Mr Cooper's fate despite a deliberate increase in pressure for his release on the part of the British Government.

At a London conference on Iran last week, Mr William Waldegrave, the junior Foreign Office Minister, placed the "wholly unjustified" detention of Mr Cooper at the top of the list of outstanding problems between Britain and Iran. "It is important that these problems should be resolved soon. Otherwise they will obviously limit the possibility of constructing a full and warm relationship with Iran," he said.

Mr Mohtashemi, who vigorously opposes efforts by pragmatic Iranian leaders to mend fences with foreign powers, said Mr Cooper had "made some confessions".

He added: "Britain's request that its spy should not be tried stems from its arrogant nature. How can we trust a country which interferes in the internal affairs of others and which dispatches spies to Iran?"

In London, the Foreign Office said it had not received any formal indication that Mr Cooper had been charged.

SINO-SOVIET RELATIONS

Shevardnadze 'to meet Deng'

By Colina MacDougall in London

MR Eduard Shevardnadze, the Soviet Foreign Minister, is expected to meet Deng Xiaoping, China's senior leader, in Shanghai during his visit to the People's Republic from 2-4 February, according to Soviet representatives in Peking.

While this meeting has not yet been confirmed by the Chinese side, if it takes place it will be a key encounter in the rapprochement between the communist giants.

Mr Shevardnadze's visit to China, intended to pave the way for a Sino-Soviet summit in April or May, will precede one to be made by Mr George Bush, the US president, following his attendance at the funeral late next month in Japan of Emperor Hirohito.

While there is no sign that the Chinese have planned these meetings to succeed one another so closely, the Soviet side may now feel under pressure to woo Peking still more eagerly. While the "three obstacles" which the Chinese originally put forward as preventing the normalisation of Sino-Soviet relations (withdrawal of Soviet troops from their joint border, withdrawal from Afghanistan and withdrawal of the Vietnamese from Kampuchea) have considerably diminished, they are still not eliminated.

President Bush is an "old friend" of China, having headed the US Liaison Office (which represented Washington before the restoration of full diplomatic relations in 1979) in the mid-1970s, and his election as president was welcomed. The choice of Shanghai as a venue for Mr Shevardnadze's meeting with the Chinese leader is probably the upshot of Deng's custom of wintering away from Peking in the warmer south. It is unlikely the Chinese will confirm it until the last moment since their normal practice is to announce such events at short notice. This avoids embarrassment should earlier talks go badly or if the octogenarian leader catches flu.

The possibility of the meeting indicates, however, that the aged Deng, on whom the progress of China's reform still probably depends, is in good enough health to face an important interview. Soviet representatives have indicated they suggested Mr Shevardnadze meet Deng to reciprocate for the interview President Gorbachev gave to Qian Qichen, China's foreign minister, during his visit to Moscow in December.

Mr Shevardnadze will be the first Soviet foreign minister to visit China since late 1959, before relations between the countries collapsed over differences in ideology and historical rivalry.

The last Sino-Soviet summit was in 1959 when Mao Tsetung met Nikita Khrushchev in Peking. In the late 1960s the countries came to blows along the border, and though peace of a kind was later restored, only since President Gorbachev came to power has there been real progress in relations. The Chinese do not, however, foresee the restoration of the fraternal bonds which existed in the 1950s.

National Day divides Australia

By Chris Sherwell in Sydney

IT WAS Australia's 201st birthday yesterday, but you wouldn't have known it. Most people went to work. Quite appropriately, it provoked a national controversy.

The problem is that this year Australia Day fell on a Thursday. The governments of Victoria, Queensland, South Australia and Western Australia decided to make next Monday the holiday to prevent workers from adding Friday "sickies" to Thursday to get a four-day weekend.

However, in New South Wales, where the white settlement of Australia began in 1788, in the federal capital of Canberra and in Northern Territory, the administrations decided such an important holiday should be taken on the day it occurred. So they had the holiday yesterday – and expostulated on the behaviour of their counterparts.

For Mr Nick Greiner, Liberal Party Premier of New South Wales and son of Hungarian migrants, it was all too much in a country which had just celebrated its unity so extrovertly through a lavish bicentennial.

"We don't move Christmas. We don't move our birthdays," he said. "I just do not understand how any sensible person could suggest you have a serious national day and you move it so it becomes a long weekend on a different date each year."

Mr Bob Hawke, the Labor Prime Minister, agreed, calling the arrangements "absurd". He has made 1989 a year to campaign for people to become Australian citizens, and he said they were confused by the states' different approaches. In an unusual consensus, he was joined by Mr John Howard, national leader of the opposition Liberal Party.

The Australian stock market, made up of exchanges located in the state capitals, dealt with the problem its own way. The floors all stayed open yesterday, and they will all stay closed on Monday.

In Sydney, locals descended on their favourite location – the Harbour.

Twelve-metre yachts of America's Cup rivals Dennis O'Connor of the US and Iain Murray of Australia race in the Sydney harbour challenge re-run yesterday

French scheme in Nigeria may restart

CONSTRUCTION work stalled for months at the site of Africa's biggest steel plant could resume soon following an agreement on funding between France and Nigeria, a Nigerian minister said yesterday, Reuter reports from Lagos.

"We have discussed details of covering sums outstanding to contractors and arrangements for future work," said Mr Bunu Sheriff Musa.

He said the aim now was to meet a new 1991 completion date for the $2bn first phase of the Soviet-designed Ajaokuta steel project, which was originally set for 1988. It was pushed back because of financing difficulties. Details of the deal, signed in Lagos last Friday, would be announced later by the office of budget and planning, Mr Musa said.

French Embassy officials here declined to comment on the accord, which followed negotiations between Nigeria, the French export credit agency Coface, and Dumez and Fougerolle, two French firms which called a halt to most of their on-site last year because they had not been paid.

The project was conceived in the oil-rich 1970s as the heart of an integrated Nigerian steel industry requiring new railways, river dredging and coal and iron ore mines to feed 440 industrial units on a 16 sq km site by the River Niger, 500km southeast of Lagos. Funds dried up as oil revenues collapsed in the early 1980s.

Tel Aviv court lets Koor sell shares

By Andrew Whitley in Tel Aviv

IMMEDIATE financial worries at Israel's Koor Industries have been alleviated by a Tel Aviv court's approval of the sale of its 24.2 per cent holding in Teva, a large pharmaceuticals company, for $34.3m (£19.7m).

Meanwhile, the crisis at the Middle East's largest industrial group appears to be moving towards an agreement among Koor's creditors, which would permit Bankers Trust of New York to withdraw a liquidation application filed last October.

Israeli bankers said yesterday that, barring any unexpected complication, there were grounds for optimism that an out-of-court settlement could be reached soon.

The two key issues holding up final agreement are said to be details of a debt repayment schedule to foreign creditors and the demand of overseas banks to play a role in supervising a recovery programme for Koor Industries.

Under this programme, Koor would dispose of some $230m in assets. Last Sunday, the Tel Aviv district court extended the deadline to February 13 for the parties in the dispute to reach an amicable settlement.

But this date may prove premature to complete all the technical aspects of the current negotiations. Conclusion of the Teva equity sale – to a local consortium set up especially for this purpose – is being expedited, to permit the release of urgently required cash to Koor.

The suggestion that part of Koor's largest subsidiary, Tadiran, may follow the same route has been put on ice, temporarily. The urgency is reported to have faded following the resolution of a dispute with the Israeli Treasury over the release of $50m in promised fresh equity capital, and the court's approval of the Teva deal.

An understanding was reached last week for government capital to be transferred to the troubled group, boosting its debt-equity ratio. The funds will be used in stages in line with Koor's five-year recovery programme.

Shamir makes rare south Lebanon visit

By Andrew Whitley

MR YITZHAK SHAMIR, the Israeli Prime Minister, yesterday paid a rare visit by helicopter to an Israeli-controlled belt of southern Lebanon.

Israel is anxiously monitoring the progress of internecine fighting a few miles away between Lebanon's two rival Shia militias, Amal and Hizbollah. After talks with General Antoine Lahad, head of the South Lebanon Army, an Israeli-financed and equipped force, Mr Shamir declared that the inter-Shia contest for supremacy confirmed the need for Israel to maintain its present posture in the region.

Israel is regularly subject to Western pressure to pull its remaining forces back across the international frontier. An estimated 1,000 troops accompanied by armoured units have patrolled a country-wide strip of Lebanese territory since mid-1985, when the bulk of Israel's army withdrew at the end of a three-year war.

Gen Lahad, who escaped an assassination attempt last November, returned on Saturday from an Israeli hospital to his headquarters in Marjayoun – five miles north of the Israeli border – to be greeted by his followers with a hero's welcome.

In a separate move likely to generate further international criticism of Israel, SLA militiamen on Wednesday expelled another batch of 35 Lebanese villagers from the so-called "security zone". Among them were 26 children. The latest deportees said later that they had refused to serve in Gen Lahad's mainly Christian force.

On Wednesday, Israeli experts asserted that Iran had not abandoned its quest to confront Israel through its support for Hizbollah, despite the ceasefire in the Gulf war. Mr Uri Lubrani, co-ordinator of activities in Lebanon, estimated that Iran was spending between $60m and $100m a year in maintaining its influence in Lebanon.

This level of support had diminished only slightly since the ceasefire, he said.

Iran's money was reported to be going on building projects, such as schools, hospitals and cultural centres, the training of military personnel, and the provision of a detachment of "several hundred" Iranian Revolutionary Guards.

MP tries to impeach SA judge

By Jim Jones in Johannesburg

MRS HELEN SUZMAN, the liberal South African MP, is to call for the impeachment of a judge who recently freed a white farmer who had beaten a black labourer to death.

The farmer, Mr Jacobus Vorster, was found guilty of culpable homicide and was sentenced to five years in jail which was suspended provided he pays the dead man's widow R130 (£30) a month for five years.

Mr Vorster and a co-accused, Mr Petrus Leonard, had tied Mr Eric Sambo to a tree and beaten him with sticks and ropes two months after Mr Sambo had killed one of Mr Vorster's dogs.

The two white men left Mr Sambo tied to the tree overnight and continued their assaults the next day. They then took Mr Sambo to the police but he died in custody of internal bleeding.

The judgment and sentence have outraged the Johannesburg Bar Council which described the sentence as "so grossly inappropriate as to induce not simply a sense of shock, but one of outrage and concern".

The Bar Council also criticised Judge Strydom's finding that Mr Vorster would "suffer embarrassment" if he was found guilty and jailed.

Mr Vorster farms in the northern Transvaal where profits depend largely on poorly-paid labourers. Voters in the region have increasingly deserted the ruling National Party in protest at legislation which allows men to leave the countryside and have swung their support behind the Conservative Party which promises a return to old-style apartheid.

Afghanistan mine-clearing task 'biggest in history'

By Christina Lamb in Peshawar

AFGHANS have a tendency to sell any piece of metal they can lay their hands on. Everything captured during the war from Soviet Mig-27s to government laboratories is quickly stripped and the pieces taken to scrap-metal bazaars all along the border with Pakistan.

Telling some 3m Afghan refugees that certain metal objects should be left alone sounds an impossible task but a team of 80 American, French and Turkish soldiers hope to do just that.

They, along with a pack of dogs, make up what a UN official describes as "the largest mine-clearing operation in history". The latest US army and UN reports estimates there are between 30m and 50m mines in Afghanistan. In a two-week course the 80 engineers descending on Peshawar hope to make the Afghans "fully mine-aware".

When Soviet forces occupied Afghanistan in 1979 mines were laid just around military posts. By 1981 the Soviet army realised it was fighting a civilian army and began scattering mines randomly in fields and dropping millions of plastic bombs from the air. They cannot be detected with metal detectors and were designed to maim rather than kill as if one man loses a foot another is put out of action carrying him.

For most of these mine-fields there are no maps. Mr Steve Mastey, who is co-ordinating mine-clearing efforts of private voluntary organisations claims: "I expect Afghans to continue being blown up for the next 50 years. There could be as many casualties from mines as there have been from the last 10 years fighting."

In the absence of any technological equipment, the Mujahideen have been using their hands to clear mines, scrabbling in soil and often losing limbs in the process. Where they are available herds of goats are sent ahead as advance party and in Loghar guerrillas use Heath Robinson-type garden rollers constructed of oildrums filled with sand mounted on 40ft poles.

Of the two proposed programmes – mine-awareness and demining – one of the US advisers says the latter is more important. "We have to teach them to take the things apart because we know in the real world they will try to take out the explosive and use it for cooking while they will sell the scrap-metal."

● Hundreds of civilians were killed earlier this week when the Soviet Union and Afghan regime's army attacked villages at both ends of the Salang Tunnel on the main route connecting Kabul to the Soviet Union following guerrilla attacks on Soviet convoys. Western diplomats said the reprisals demolished every village in the area.

Silver economic lining to Malaysian political cloud

Strong recovery in past two years follows recession, writes **Robin Pauley**, recently in Kuala Lumpur

MALAYSIA has, to revive an overworked pun in the country which is the world's largest producer of rubber, bounced back from recession with two years of strong economic growth.

But what bounces up often comes down quickly. The key to avoiding a future sharp collapse in the country's fortunes depends on the extent to which the economic base can be diversified and strengthened, with less reliance on agriculture and commodities and a greater contribution from a competitive manufacturing sector. So far, it is looking good, the storm clouds being political rather than economic.

In addition to its dominance in natural rubber, Malaysia leads the world in palm oil and tin production and is a major producer of timber, cocoa and pepper. The commodity sector, including oil and gas, accounts for nearly two thirds of gross domestic product. If oil is excluded commodities account for about 40 per cent of GDP.

Like other countries, notably Australia, which had had it too easy for too long on the back of the seemingly endless demand for ever more expensive natural resources, Malaysia was hit hard when the slump came. Falling oil prices only added to the pain. Real GDP contracted by 1 per cent in 1985 and grew by a miserable 1 per cent 1986.

In 1987, growth zipped back up to 5.2 per cent and the estimate of 7.5 per cent for 1988 looks conservative. The recession squeezed the annual rate of increased consumer price inflation down to around 0.5 per cent where it remained in 1987 before nudging up towards 2.5 per cent in 1988.

EAST ASIAN ECONOMIES

MALAYSIA

Part of the recovery is due to the rapid recovery in world commodity prices. "We will certainly be adversely affected if there is a fall in commodity prices but we are now in better shape to face this if it does occur. We have strengthened domestic demand, private investment has picked up strongly through the improvement in the investment climate, the public finance position is much stronger," says Mr Daim Zainuddin, Minister of Finance.

The Minister of Primary Industries, Dr Lim Kheng Yaik, agrees: "The rebound of commodity prices has not put air into our heads. We must become more industry-orientated. I now urge commodity producers to become traders, to buy and sell, to go downstream with their earnings from their commodities. So timber producers are going into plank and furniture production, rubber planters are manufacturing down the line to turn out rubber gloves and latex products, palm oil producers are getting into production of edible and non-edible palm products. We are convincing people that commodities alone are not the future."

The statistics tend to bear this out. While the shares of GDP accounted for by agriculture and mining in 1989 will remain around the levels they were in 1981 and 1985 – about 21 per cent for agriculture and 10 per cent for mining – manufacturing's share in 1989 should be about 25 per cent – up from 20 per cent in 1981 and 1985.

There are two other factors which suggest that Malaysia may be able to sustain its current high growth rates and yet not overheat. One is the competitive level of the Malaysian currency at around 2.60 ringgit to the US$, against which it has declined by 7.5 per cent during 1988; during the last four years, the ringgit has depreciated by 10 per cent against the US dollar, 55 per cent against the yen, 50 per cent against the D-Mark and 20 per cent against the Singapore dollar.

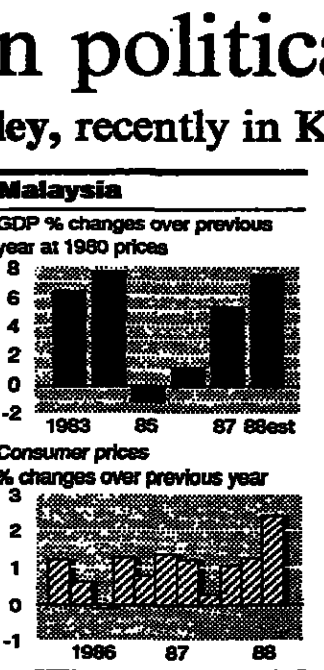
It shows on the trade accounts: US$5bn surplus on visible trade and US$2bn surplus on current account of the balance of payments in 1988. Suggestions, principally from the International Monetary Fund, that the currency might be revalued, have so far met with a cheerful but determined no.

The other optimistic feature is the level of foreign investment which enjoys a range of incentives, at least until 1990. In the first nine months of 1988 more than US$1.2bn of foreign investment flooded into Malaysia compared with $750m for the whole of 1987 and $525m in 1986.

The catch, as occurs predictably now in much of South East Asia, is that the lion's share of foreign investment is coming from just one country: Japan. In 1986 the Japanese accounted for just under a tenth of foreign investment, in 1987 30 per cent, and in the first half of last year a third or $329m, compared with $98m from the next largest investor, the US.

"We do want to balance the foreign investment so that no country dominates, but we are certainly not about to tell any country please stop investing because you have finished your quota. We will just try to persuade other countries to increase their investment," said Dr Mohamad Mahathir, the Prime Minister.

Last autumn's expansionary budget underlined Mr Daim's determination to pursue the same course during 1989 with restraints on public spending, incentives to the private sector and reform of the tax system being the top priorities. Fiscal policy is aimed at getting the federal deficit down further. The public sector deficit is down from 19 per cent of GDP in 1982 to 9 per cent in 1988, with a concomitant fall in interest rates to a 20-year low. Further reductions are likely, providing inflation does not look like breaking loose.



Tax reform has already started with the closing of a number of loopholes, a cut in corporate taxes from 40 per cent to 35 per cent and the phasing out of the 5 per cent development tax charge which will be completed over five years. However, tax cuts are leaving the Government with falling revenues and the tax base needs to be broadened urgently.

Mr Daim has been trying and failing to introduce a Value Added Tax since 1985. He is determined to delay no longer and wants VAT to be the centre-piece of this year's budget. If it is not, further development of his economic strategy will be seriously hampered. "We need VAT. I hope to be able to introduce it by 1990 at the latest," he said recently, adding "I'm already behind time."

There seems little doubt that in the near future Malaysia can continue to outperform the world economy and maintain the level of economic energy exhibited by the small but strong East Asian economies, although growth in 1989 probably will be lower than 1988.

But there is a political danger: the country's leaders have become increasingly repressive during the last 18 months, citing fears of racial disharmony, among other things. Foreign and domestic investors tend not to be deflected by such developments.

With Dr Mahathir seriously ill, his ruling New UMNO party deeply divided and the opposition becoming increasingly agitated about detentions without trial and curtailment of civil liberties, there is much more to keep an eye on than the usual economic fundamentals.

Omron men must stick to their computers

By Stefan Wagstyl in Tokyo

OMRON Tateisi Electronics, the Japanese control equipment company, is to make it mandatory for 1,000 top executives to carry portable personal computers around wherever they go. The group wants its staff to be on call round the clock to speed up decision-making, in a move which brings the paperless office one step closer to reality.

Executives will be expected to bring their machines to the office every morning and take them home in the evening just in case a crucial call from London or New York comes through late at night.

The company said there had been no protests about the scheme because employees had been consulted before it was announced. It did not expect any difficulty training staff since "personal computers are easy to use". Omron, which specialises in making equipment for running factories by remote control, intends to spend about Y500m (£2.2bn) on the scheme over four years.

The most important role for the computers will be to act as an electronic message system. For example, directors could be invited to a board meeting by computer and send their replies back the same way.

Omron said it was working on two outstanding problems. One was how to prevent junior staff from seeing data destined for their seniors. The second was how to allow executives to approve documents in the time-honoured way of stamping them with a personal seal, or *hanko*. An electronic *hanko* is one option.

Malaysia frees detainees

By Wong Sulong in Kuala Lumpur

MALAYSIAN authorities yesterday released another five political detainees, including Karpal Singh, a prominent human rights campaigner and opposition member of parliament after holding them without trial under the Internal Security Act for the past 15 months.

The five were among 120 government critics arrested in a security crackdown in October 1987. The government said the operation was necessary to defuse racial tensions.

The latest release gives rise to hopes that the remaining half dozen or so detainees will be freed soon.

They include Mr Lim Kit Siang, leader of the opposition DAP, and his son, Guan Eng, who at 26, is the youngest MP. DAP is the largest opposition party with 24 out of 177 MPs.

If Lim and his son are freed today, the decision is likely to be interpreted as an attempt by the Government to win votes at the Ampang Jaya by-election.

WORLD TRADE NEWS

UK MPs urge sharp cut in CoCom curbs

By Peter Montagnon, World Trade Editor

AN IMMEDIATE and radical cut in Western restrictions on sales of sensitive technology to communist countries was urged yesterday in a report by an influential group of UK parliamentarians.

A report by the all-party House of Commons Trade and Industry Committee said: "The time has arrived for a major reform of the whole procedure. This would be timely, given the major economic reforms accomplished, in progress or planned in Eastern Europe."

Its report, on which the Government had no immediate comment, seems bound to fuel the growing debate in Europe about the role of CoCom, the 16-nation Co-ordinating Committee on Multilateral Export Controls which monitors sensitive East-West trade. CoCom is dominated by the US which has been arguing against a relaxation of controls despite the thaw in East-West relations.

Written against the backdrop of a declining UK share in exports to Eastern Europe, the report singles out the controls as "the major self-imposed restraint on exports to Eastern Europe".

"It has been persuasively argued before us that CoCom restrictions hamper the pace of economic reform in Eastern Europe, encourage sales of high-technology equipment from elsewhere in the world to Eastern Europe and reduce economic interdependence between East and West Europe."

Among the changes sought by the committee were:

- A change in the rules to force those who objected to sales of technology to prove their case rather than, as at present, placing the burden on the country seeking permission to export. This would help prevent a log-jam of pending cases, the committee said.
- An increase in the exercise of national discretion in awarding export licences coupled with a greater flexibility on the part of CoCom in considering the end use to which sensitive equipment is put. The committee said it was "over-cautious" to ban the export of computerised systems for industrial plant and recommended arrangements to be made for on-site inspection of such equipment if diversion to military use would pose a threat.
- Fewer technical restrictions, such as computer memory size. "Additional memory can be added on to a computer fairly simply. There therefore seems to be no logic in banning the export of one unit of 10 megabytes of memory capacity but allowing the export of 10 units of one megabyte memory capacity.

"These are areas in which the UK is denying its companies potential trade in the East. We have not received any evidence on the strategic importance of restricting the export of such items to Eastern Europe."

The report said committee members had "seen and heard about" equipment in Eastern Europe which had been exported in breach of CoCom rules. At the same time it said it had come across the case of a British archaeologist working in Bulgaria who was not allowed to have with him the micro-computer he normally used for work in the UK.

It called for more openness in the implementation of the rules, adding that most objections to UK applications for CoCom licences come from the US on technology grounds.

Processing of applications within CoCom should be further speeded up it said. The Department of Trade and Industry should conduct a study on the impact on trade of CoCom restrictions and the matter should be debated each year in the House of Commons.

EC warned of import threat from E Germans

By Peter Montagnon

EAST GERMAN goods will have "almost unfettered access" to the whole of the European Community after 1992 if no effective controls are created on trade between East and West Germany, the British textile and clothing industries said yesterday.

Its warning, contained in a submission to the House of Commons Trade and Industry Committee, brings into the open the nagging worries of some European industries about the lack of controls on intra-German trade.

East German textile goods entering the West German market are not considered as imports which means that special privileges apply, including exemption from import duty and value-added-tax as well as less stringent quantitative controls than those applied to other state trading companies.

Ms Liz Fox of the British Clothing Industry Association (BCIA), who wrote the submission, said the industry was concerned at the reluctance among West Germany's community partners to raise the issue of intra-German trade directly in the context of 1992.

"We're very concerned that it won't be given the right attention, that it will be slipped under the carpet," she said. "When 1992 started coming closer we began to realise it was a much bigger threat than it has been already."

West Germany maintains it monitors intra-German trade carefully to ensure East Germany's privileges are not abused, but in its statement, submitted jointly with its counterparts from the knitting and textile industries, the BCIA said "we do not believe sufficient vigilance is exercised to prevent the continuation of abuse".

Some 20 per cent of West German clothing exports to the UK originate in East Germany and other East European countries, making for trade distortion and damage to UK industry, it said.

A particular point of concern was so-called "outward-processing" whereby West German cloth was sent to low-wage East bloc countries to be made into garments.

ACP highlights EC trade-squeeze fears

By David Buchan in Bridgetown, Barbados

FEARS ARE growing in the 66-strong group of African, Caribbean and Pacific (ACP) countries that forces beyond its control are squeezing its goods further out of the EC.

ACP leaders used the meeting this week in Barbados with European MPs to press home anxieties that European Community states are destroying their supposedly special trading relationship with their former colonies.

The EC, they complain, has given too much to other developing countries in negotiations within the General Agreement on Tariffs and Trade; is threatening to scrap protective arrangements for ACP products in the cause of creating a single EC market; and seems set against any new commercial concessions in the current renegotiations of the Lomé Convention.

In addition, most ACP states fear dilution of EC aid and trade benefits, with Haiti and the Dominican Republic sending ministers to Barbados this week to hammer on the door for entry into the Lomé club.

Fears particularly on the part of the English-speaking Caribbean, that Europe may switch its focus towards Central and South America were fuelled by the fact that it fell to two Spaniards this week to enunciate a relatively hard EC line – Mr Luis Yanez, Aid Minister of Spain, which currently holds the EC council presidency and Mr Manuel Marin, the new EC Aid Commissioner.

The nub of ACP concern is that whatever they may gain on EC aid, running at Ecu1.7bn (£1.1bn) a year, is now more than negated by disappearance of commercial advantages on their Ecus 30bn a year exports to the EC. For all Lomé's vaunted benefits, the ACP share of all developing countries' exports to Europe has fallen from 20 per cent in 1975 to 14 per cent last year.

The tendency of other developing countries to steal a march on the ACP has been hastened by the Community's decision this month to cut tariffs on all tropical products, according to Mr Edwin Carrington, Secretary General of the ACP organisation.

The planned disappearance – come 1992 – of all national subdivisions in the EC market seriously threatens ACP banana sales in Europe, EC ministers were warned this week. Even a 20 per cent tariff would not prevent Central American banana plantations from displacing necessarily higher cost bananas grown by Caribbean island smallholders.

NZ to join Soviet gas car venture

By Steven Butler

THE Soviet Union has entered a joint venture agreement with a New Zealand consortium to develop Soviet natural gas reserves for use as a transportation fuel.

The aim is to convert vehicles to compressed natural gas (CNG), and to build a distribution system that could service up to 500,000 vehicles in the next five years, the period covered by the agreement. This would create the world's biggest fleet of CNG-powered vehicles.

The consortium consists of Maritime Pacific, a trade group, and the Liquid Fuels Management Group, a former government agency which established a similar programme in New Zealand in 1979 that led to the conversion of 200,000 vehicles, or 15 per cent of New Zealand's vehicle fleet.

The agreement, signed recently, calls for establishment of the venture after completing a feasibility study, due by July. The Soviet partners are the Ministry of Gas Industry and the Ministry of Automobile Transport.

The venture appears broadly aimed at earning hard currency for Moscow as liquid fuels can be exported more easily and profitably than gas.

Thai copyright war divides Washington

Peter Ungphakorn on Washington's battle against fake products in the Far East

THE REAGAN Administration took more than a month to decide on punitive action against Thailand following the breakdown on December 12 of trade talks between the two governments on intellectual property protection.

The Christmas and New Year holidays were only part of the cause. The dilemma facing the US Administration was to strike a balance between the pressures of the trade lobbies and Congress on the one hand and to avoid diplomatic and political problems in one of its staunchest allies in South East Asia on the other. Events of the previous months had been sufficient warning.

The Administration found itself divided. The office of the US Trade Representative wanted tough action. The diplomats and strategists of the State Department and National Security Council urged leniency.

They all knew the issue would take much longer to reach the Thai political agenda if they did not threaten retaliation. They also knew that they could arouse Thai nationalistic indignation and even destabilise the Government, making their objectives even more difficult to achieve.

US trade officials, armed with their trade laws and private sector petitions of complaint, and seeking Thai commitments on paper, also faced a dilemma in understanding the changing signals coming from Bangkok, particularly with a new government installed in August and the ascendancy of the Prime Minister, General Chatichai Choonhavan.

> The US Trade Representative wanted action, the State Department urged leniency

At first a lenient option was agreed by the agencies concerned and leaked to the Thai press. Mr Reagan was to be asked to withdraw Thailand's right to import duty exemptions on eight products: artificial flowers, mosaic tiles, wooden furniture, two categories of jewellery, rice meal and flour, dried mung beans, and telephonic and telegraphic connection equipment.

This represented $165m a year of trade against a total of $600m of Thai exports to the US under the American version of the Generalized System of Preferences (GSP).

The reaction in Thailand was that the reimposed duties could be absorbed. Mr Clayton Yeutter, then still US Trade Representative, reportedly read the comments in the Bangkok press and held back the draft announcement in an effort to persuade the other agencies to accept tougher retaliation.

In the end, on his final day in office, Mr Reagan signed the original proposal, but Mr Yeutter added a tough warning.

"I am extremely disappointed that Thailand has chosen not to provide the degree of intellectual property protection that is available in so many countries," he said. "If there are not significant changes in Thailand's policies in the next few months, it is my view that Thailand should be designated as a priority country under the 1988 Trade Act."

Considerably tougher action is possible under section 301 of the Trade Act, which would permit an investigation into counterfeit practices. This could hurt Thailand to the tune of the $240m or more that the Americans say they are losing from copyright and patent infringements in Thailand each year.

In dollar terms, Thailand's counterfeit trade is probably not the worst in the world. But street stalls all over the major towns and cities, particularly in tourists spots, are loaded with copied music and video tapes and designer clothes, bags, leatherware and watches.

However, the big outstanding copyright issue is computer software. That law has yet to be tested in the courts to decide whether it covers software, and legal opinion is divided. The Americans want a commitment that somehow or other software will be given copyright protection. The Thai Government, again after a sometimes bitter debate and shifting negotiating positions, refused to promise that it would not propose a separate software law.

> Street stalls are loaded with copied music and video tapes and designer clothes

Implied in Bangkok's refusal is the possibility that software could end up under a form of patent law which requires registration and disclosure of programme construction, and could provide a shorter period of protection.

Although no country so far patents software, the argument in favour is accepted privately even by members of the multinational pharmaceuticals lobby in Bangkok who are themselves pushing for protection on the other major intellectual property issue: pharmaceuticals patents not currently protected in Thailand.

Again the difference between Bangkok and Washington on pharmaceuticals is not a question of whether to give protection, but the kind and timing.

The Americans are only asking for new drug formulae to be patented. The Thais are willing to propose legislation but want to wait until two years after the end of the Uruguay Round of multilateral trade negotiations, scheduled to be completed in 1990.

One of the results of the debate inside Thailand has been the development of a feeling that the import duty exemptions of the US GSP are hardly the American God's gift to developing countries. The complaint is that GSPs are used as a stick to beat smaller countries into submission and they are likely to be withdrawn eventually.

Although the industries making the eight products say they can absorb the costs of the reimposed duties, and Bangkok has taken Mr Reagan's announcement quietly, some foreign investors could start to look elsewhere, particularly those investors whose interest in Thailand was aroused by the "graduation" of the four eastern tigers from the US GSP programme.

RJA 3501 TP

The Mercedes-Benz S-class is the ultimate form of business travel.

Up-grade to S-class

Could any other form of travel be more restful than the first class cabin of a wide-bodied aircraft? Or more comfortable and relaxing? And what could be more welcoming at the beginning or end of a long business day? Quite simply, the Mercedes-Benz S-class.

Few luxury cars are as quiet, comfortable, spacious or rewarding to own as the top-drawer Mercedes-Benz 560SEL, for example. If you take a back seat you'll understand why first class travel is an appropriate basis for comparison. Your Mercedes-Benz rear seat is also electrically adjustable, and there's even a footrest on the floor. In the unlikely event that the front seat is pushed back to the limit, you'll still have 10 inches of rear leg room. With it fully forward, legroom behind extends to an extraordinary 22 inches.

A Refrigerator In The Boot

If you wish it, the seats will be clad in the finest glove-like hide; the windows operate electrically, and each ashtray has its own cigar lighter. The atmosphere can be air-conditioned or the air recirculated. Individual reading lights are standard and you can specify heated rear seats, curtains, an electric roller blind and even a refrigerator for the boot.

S-CLASS STANDARD EQUIPMENT

300SE & 420SE (STD WHEELBASE)
ABS anti locking braking system · Automatic front seat belt tensioners · Automatic transmission · Electric sunroof (tilting) · Electric windows · Electrically adjustable steering column · Electrically operated near-side mirror · Exit lights in doors · First aid kit · Front seat height adjusters · Headlamp wash/wipe · Heated door mirrors · Leather covered steering wheel and gearshift · Multipoint central locking · Outside temperature gauge · Power assisted steering · Rear head restraints · Recirculating air facility · Tinted glass · Twin illuminated vanity mirrors · Walnut fascia

ADDITIONAL WITH 500SE
Leather or velour upholstery · Cruise control · Electric front seats · Electric aerial · Limited slip differential · Rear reading lights · Rear shelf speakers · Metallic paint

300SEL & 420SEL (LONG WHEELBASE)
As for 300SE and 420SE plus: Cigar lighters in rear ashtrays · Rear foot rests · Electric aerial · Rear reading lights · Rear shelf speakers

ADDITIONAL TO ABOVE WITH 500SEL
Air conditioning · Leather or velour upholstery · Cruise control · Electric front seats · Limited slip differential · Metallic paint

ADDITIONAL TO ABOVE WITH 560SEL
Alloy wheels · Electronic radio/cassette · Electric roller blind · All seats electric and heated, front with position memory · Self levelling suspension

OPTIONAL EQUIPMENT - ALL MODELS
Acceleration Skid Control · Orthopaedic seats · Airbag · Refrigerator in boot · Rear door and window curtains · Theft warning device

While some of these more esoteric items are fitted as standard only on the 560SEL, the chart illustrates the variety and sophistication of the standard equipment on even the 300SE.

Taking The Controls

Here the comparison with air travel must end (unless you're a qualified pilot). Take over the controls of your 560SEL and a unique driving experience begins.

Start the engine. It is a 5.6 litre alloy V8 with electromechanical fuel injection, generating 300bhp and 335lb/ft torque at 3750rpm. Despite the car's 4000lb weight, this magnificent engine can propel it from 0 to 62mph in 6.9 seconds. On the test track the car can reach a governed top speed of 156mph (manufacturer's figures).

Other models in the series are the 3.0 litre 300SE and SEL, 4.2 litre 420SE and SEL, 5.0 litre 500SE and SEL. The S-class series offers a full range of space, performance and economy options. Each is a model of modern aerodynamics. Each will handle as well as a much smaller, lighter car should the need arise.

This Car Set The Standard

In 1988, more people bought Mercedes-Benz S-class models than ever before. It is a car that has won the respect of businessmen and women who can afford any car they wish. It is a car that has enormous presence on every occasion. It can be sedate or it can be exuberant. And it is as safe as the pioneers of automotive safety can make it. (Indeed, the Mercedes-Benz S-class is the world's safest car according to The Highway Loss Data Institute of the USA.) And S-class performance and breeding are a match for the car's appearance: it is strong, immaculately built, spacious, comfortable, well-mannered and unostentatious.

That is because the Mercedes-Benz S-class is designed and built by people who have a complete understanding of what today's business executives expect and need from their personal transport.

That is why there is no better way to travel than S-class.

Engineered Like No Other Car In The World.

UK NEWS

Government sets target for mobile phone services

By Hugo Dixon

THE GOVERNMENT yesterday unveiled a radical plan for how the mobile communications industry, already one of the British success stories of the 1980s, can continue to expand into the 1990s and beyond.

The plan, announced by Lord Young, the Trade and Industry Secretary, involves the introduction of two brand new types of mobile service and a substantial upgrading of the existing car phone networks. The idea is that, by injecting more competition into the industry, more people will be able to make phone calls when they are away from their homes or offices and Britain will be kept in the forefront of mobile communications developments.

There will be four operators for the first new service called telepoint. A consortium led by British Telecom has been granted one of these licences.

However, in order to defuse political objections that BT would monopolise this market, the Government has told the company to reduce its 60 per cent stake in the consortium to below 50 per cent.

This instruction itself caused confusion within BT's consortium, with one of its partners, STC, the UK electronics group, claiming that it had bought BT's share. BT said this claim was "rubbish" and that it had yet to decide whom to sell its share to. The other members of the BT consortium are France Telecom and Nynex, the traditional phone operators in France and New York respectively.

Telepoint, a technology pioneered in the UK, will allow people to make phone calls when they are within 150 metres of base stations, tens of thousands of which will be installed around the country.

It will be much cheaper than the present car phone or cellular systems, with telephone handset costing less than £200 and call charges not much higher than on the mainstream fixed networks. Its disadvantage, however, is that only outgoing calls will be able to be made, at least initially.

The other successful telepoint applicants are: Ferranti; a consortium comprising Shaye Communications, Motorola of the US and Mercury Communications; and a consortium of Philips, Barclays Bank and Shell. Most plan to start their service by the early summer, rolling out quickly across the country.

Lord Young caused a surprise by announcing plans for a second new type of mobile service, which he called "personal communications". The exact specifications of this have yet to be worked out, but it will certainly involve two-way communications and will be designed to compete with the present cellular networks.

The Government plans to consult widely with the industry over the next three months to determine exactly how the new system will work.

Lex, Page 18

BP adds 550m barrels to oil reserves

By Steven Butler

BRITISH Petroleum, the world's third largest oil company has added about 550m barrels of oil, and oil equivalent, to its reserves from discoveries made since the beginning of the year.

The discoveries, which BP has yet to disclose in full officially, are understood to have at least replaced last year's oil production.

BP's total reserves amount to about 5bn barrels of oil, concentrated in the North Slope of Alaska and the North Sea.

The discoveries came in addition to BP's 1988 acquisition of Britoil, which brought with it an additional 1bn barrels of proven reserves.

BP officials are understood to be confident that this figure can be raised further by careful reservoir management.

The overwhelming majority of the company's discoveries are in the North Sea and on the UK continental shelf. The largest addition to reserves has come from the Forth field in the UK sector of the North Sea. This was a 200m barrel discovery, 150m barrels of which belong to BP.

Discovery of an offshore extension to the Wytch Farm field, near Bournemouth of the southern coast of England, has increased proven reserves by 100m barrels to 350m barrels, half of which belongs to BP.

Many oil industry analysts believe that the results of a drilling programme in progress are likely further to boost this figure substantially.

Four gas discoveries in the southern gas basin of the North Sea have added a total of 400bn cubic feet of gas, or 70m barrels of oil equivalent. BP has, in addition, made three oil discoveries in the central area of the North Sea adding 100m barrels to its own reserves.

Appraisal drilling at the Ula field in the Norwegian sector of the North Sea has increased reserves from 240m barrels at the end of 1987 to 450m barrels today, BP is understood to believe. There are also believed to be good prospects for further increases.

BP has a 57 per cent interest in the field, and earlier in 1988 put the reserve figure at 330m barrels.

Further significant liquid discoveries were made in Papua New Guinea at fields operated by Chevron, the US oil company. BP has a 25 per cent interest in the Iagifu and Hedinia fields, which have added to BP's reserves 60m barrels of crude oil and liquid gas condensate.

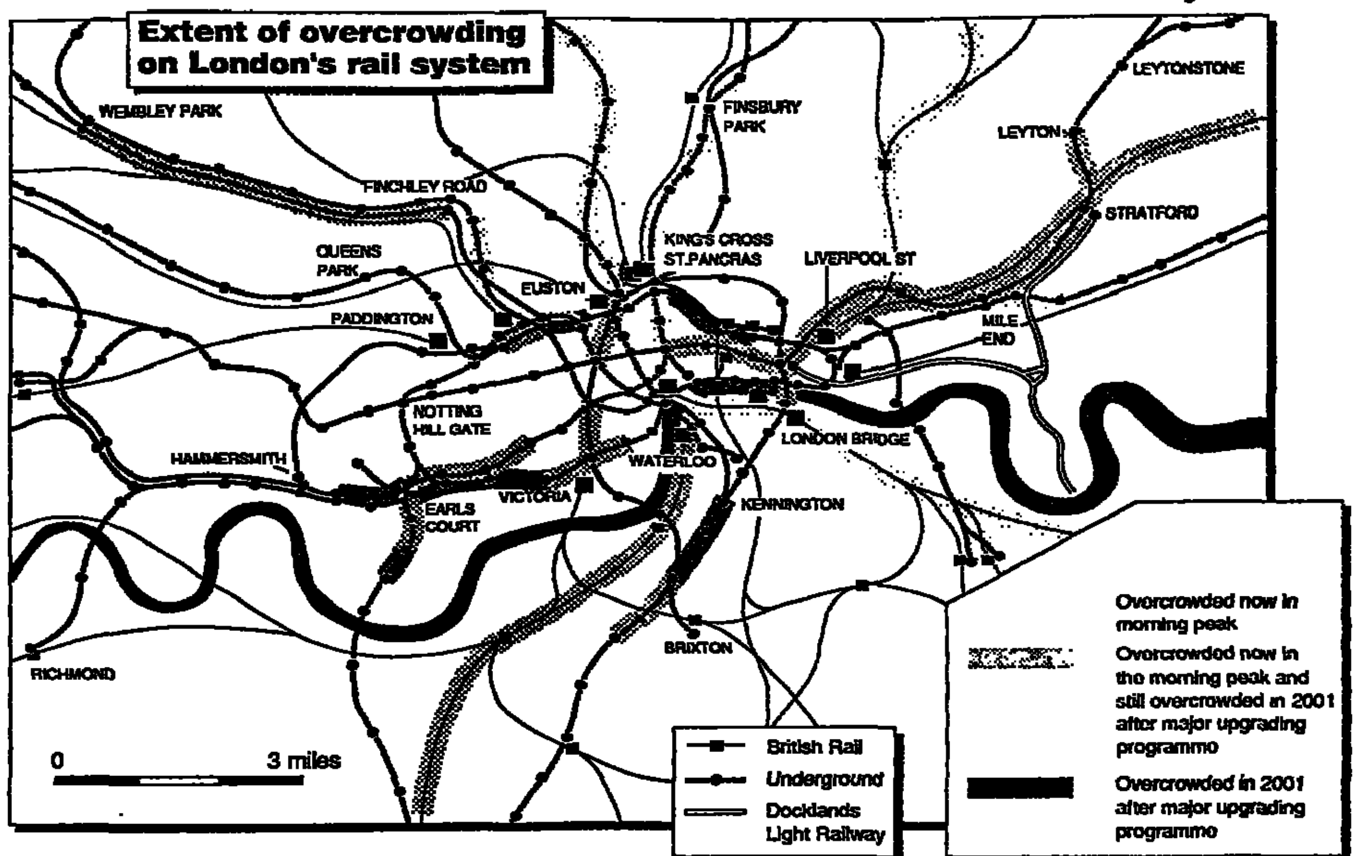
BP's commitment to continue efforts to replace its reserves by exploration was underscored by its acquisition of Britoil, which had a large, highly prospective portfolio of exploration licences in the North Sea.

As part of the acquisition, BP gave a firm pledge that it would continue with an active exploration programme.

● Max Wilkinson adds: The Government yesterday approved plans for the £168m development of the Emerald oilfield, about 70 miles west of the Shetland Islands. The development, by Sovereign Oil and Gas, is likely to provide work for 2,000 people during the next 18 months. About 1,400 jobs will be created in Scotland and some in Middlesbrough.

Morning crush threatens to derail London

Lynton McLain examines the numbers behind the Central London Rail Study



BY 1999 more than 1.2m passengers could be arriving at London underground and rail terminals each morning unless something is done to ease the pressure on trains and stations, says the Central London Rail Study.

That would be the same as the entire population of South Yorkshire or most of Birmingham and Coventry pouring into the capital in the three hours of the morning peak, between 7am and 10am.

Some 500,000 people, half of the morning peak passengers, arrive in London in the hour before 9am. Both London Underground and British Rail services are carrying record numbers of passengers into the capital's centre.

The pattern is expected to continue so that as many as 600,000 people could be arriving in central London in one hour by the end of the century.

At present, underground trains distribute some 200,000 British Rail passengers within central London. This is a rise of 50 per cent on 1983 numbers.

Rapid growth in the number of passengers arriving in the capital in the morning resumed in 1982 after a steady fall in numbers from 1971 to 1976. Passenger volumes rose again, but tailed off three years later, with intermittent growth and decline to a low point in 1982.

Some of the rapid growth thereafter was at the expense of bus, coach, car and cycle traffic, all of which have fallen in the preceding years. But there was a general rise in commuting to central London of some 100,000 people a day.

In 1987 about a 1m a day passengers arrived in central London by rail, after almost unremitting growth since 1982. More than half came on the underground system and most of the remainder used British Rail services.

The report says: "The result has been to place the existing rail system, particularly the Underground, under increasing pressure."

On BR's Network Southeast trains, the tendency for growth to be focused on longer distance commuting from beyond the Greater London boundary also led to acute problems on certain services.

The challenge facing the underground, according to the report, is how to cope with the 35 per cent growth in peak traffic over the period since 1980. Off-peak demand grew rapidly, by 80 per cent since 1980, but this did not mitigate the problem of rapidly rising peak demand.

More passengers had to stand on crowded Tube trains in 1987 than London Underground would have preferred. Sections of the London Underground were above the Underground's "planning standard" in 1987. The standard laid down that "on average no more than one person should have to stand for each seated passenger."

On BR, sections of the network did not meet the standards laid down by BR for standing passengers.

The standards are that no passenger should have to stand for more than 20 minutes and that no more than 35 passengers should have to stand for every 100 seated passengers on sliding door trains and that no more than 10 should have to stand for every 100 seated on slam door trains.

The report said: "As well as overcrowding on trains, congestion at stations is now a major problem."

Thames TV may sue over Gibraltar film

By Raymond Snoddy

THAMES Television said yesterday it was considering legal action against some newspapers over their coverage of Death on the Rock affair - the documentary of the killing last year of three IRA terrorists in Gibraltar.

This announcement was made as an independent report, largely vindicating the programme makers, was published.

Mr Richard Dunn, managing director of Thames, which is based in London, said: "I think that there is a case for legal action against some newspapers who went beyond the bounds of fair comment."

Thames would be taking legal advice on the whole range of coverage on the documentary and would then decide whether or not to proceed.

The report by Lord Windlesham and Mr Richard Rampton, a leading libel lawyer said: "The programme-makers were experienced, painstaking and persistent.

"They did not bribe, bully or misrepresent those who took part. The programme was trenchant and avoided triviality."

In spite of various various criticisms, the report said: "We accept that those who made it were acting in good faith and without ulterior motives."

The documentary caused a big political row after the IBA gave the go-ahead for transmission despite being asked by Sir Geoffrey Howe, the Foreign Secretary, to postpone it until after an inquest.

Equiticorp executive quits Guinness Mahon board

By David Lascelles, Banking Editor

MR GRANT ADAMS, Equiticorp's representative on the board of Guinness Mahon, resigned as a non-executive director of the merchant bank yesterday.

His departure follows last week's decision by New Zealand-based Equiticorp, which owned 61 per cent of Guinness Mahon, to call in the provisional liquidators. On Wednesday, Mr Adams and two colleagues resigned from GPG, Guinness Mahon's former sister company.

Equiticorp's 28 bank creditors who have now assumed ownership of Equiticorp's interest in Guinness Mahon and GPG met yesterday to coordinate their position. They are expected to announce today that they have appointed a leading City of London merchant bank to advise them on the disposal of the stakes.

The creditors are also expected to vote for the existing slate of directors of Guinness Mahon when they come up for re-election at the merchant bank's annual meeting today.

Although the meeting has only routine business on its agenda, Mr Geoffrey Bell, the chairman, is expected to reassure shareholders that the bank is in sound condition having, at the Bank of England's insistence, maintained its independence from Equiticorp.

English earns £6bn as a world industry

By David Thomas, Education Correspondent

ENGLISH LANGUAGE is now a world commodity with a market value of £6bn a year, according to a study published yesterday.

The study, by the Economist Intelligence Unit, claims to be the first attempt to assess in business terms the teaching of English as a foreign language.

Almost £1bn a year is generated by the English as a foreign language industry in the UK alone. English language courses account for £630m of that, with £170m generated by textbooks.

North America (£2bn a year) and Australasia and the Far East (also £2bn) are the other main centres, according to the report.

A special survey conducted for the study found that many Continental and Japanese multinationals devote considerable resource to teaching their employees English.

One large petrochemical group, for example, spends £2.6m a year teaching up to 7,000 of its workers English.

With 70 per cent of the world's mail and 80 per cent of the information stored electronically written in English, the study projects a buoyant future for the English language business.

Growth of at least 10 per cent a year is forecast for the industry in the UK.

However, the report gives a warning that competition will intensify. Other Western European countries will probably try to set up more English language schools to capture some of the business.

The study suggests that the fragmented UK industry will respond by collaborating on a joint marketing organisation and by rationalising the English as a foreign language examination system.

English: A World Commodity. Economist Intelligence Unit, 40 Duke Street, London W1A 1DW. £95 Europe; $185 US; £98 elsewhere.

Directors fail to quantify reserves against claims

Auditors heavily qualify first annual accounts of Lioncover

By Nick Bunker

ERNST & WHINNEY, the accountancy firm, has heavily qualified the first annual accounts of Lioncover, the special insurance company set up by Lloyd's, the London insurance market, to take over the liabilities of the notorious PCW syndicates.

Lioncover is owned by the Society of Lloyd's, meaning the market's 31,000 underwriting members. Documents at Companies House show that inspite of prolonged investigations Lioncover's directors were still unable last year to quantify the reserves they will need against insurance claims which the company may have to pay between now and 2007.

The claims arise from insurance, much of it for US liability risks, underwritten before 1982 by PCW's former managers, including Mr Peter Cameron-Webb. The Serious Fraud Office has obtained a warrant for the arrest of Mr Cameron-Webb and his accomplice Mr Peter Dixon. Both men are in exile in the US.

In Lioncover's 1987 accounts, Ernst & Whinney, the auditor, says it was "unable to express an opinion" about whether they complied with the Companies Act, because of "uncertainties...which may materially affect the company's position."

The accounts, for the year to December 31 1987, are dated July 28 1988 and became available at Companies House last autumn.

They cast considerable doubt on the reliability of the figure of £280m which Lloyd's gave in April 1987 as an estimate of the expected claims. It was used by Lloyd's in a settlement with 1,500 members of the PCW syndicates, and with various companies in the Lloyd's market.

The settlement's parties, including the 1,500 members and Lloyd's, contributed to a fund of £134m. Together with the syndicates' assets, this was expected to produce investment income sufficient to meet the claims over 20 years.

The assets and liabilities were transferred to Lioncover in July 1987, but with Lloyd's standing behind it in case its reserves proved deficient.

Ernst & Whinney says it *could not satisfy itself "as to* the adequacy or otherwise" of Lioncover's claims reserves of £284.2m. Lioncover's directors said that they were "unable to give an opinion" about this figure, or about £22m representing money due from insurance intermediaries which placed reinsurance contracts with the syndicates.

The documents attribute the problems to uncertainties about the amounts owed to Lioncover by other insurers, and about what Ernst & Whinney calls "the reliability of recording of certain underwriting transactions prior to July 1987."

In the accounts, Lioncover says it made "every effort...to produce reliable financial information," but was hampered by late receipt of records from Additional Underwriting Agencies Number Three, which looked after the syndicates in 1986-87.

In addition, it says AUA3 "expressed significant reservations regarding the reliability of the accounting records which related to the assets and liabilities."

News that Lioncover's financial position contains so many uncertainties will not surprise experts on US liability insurance, where reserves are notoriously difficult to assess.

In August 1986, a Lloyd's report identified US product liability, medical malpractice, and professional indemnity insurance for large accountancy firms as major areas of exposure for the syndicates. They are also known to have been heavily exposed to US asbestos-related injury claims.

In addition, investigators of the PCW affair in 1982 are known to have discovered that key accounting records were either missing or may have been falsified.

At a Lloyd's annual general meeting last June Mr Murray Lawrence, chairman of Lloyd's, said that it was premature to predict the outcome of Lioncover's investigations of its liabilities, but he predicted that experience in the rest of Lloyd's suggested that further money might have to be found.

Accountants clash with SE over brands

By Richard Waters in London

THE controversy over the way companies account for intangible assets such as brands was stoked into life yesterday as the accountancy profession and the Stock Exchange sent out sharply conflicting messages on the subject.

At the same time Lonrho announced it was to include brands worth £117m in its balance sheet. This makes it only the second major UK company to attempt to revalue existing intangibles during the current bout of interest in the subject, though many others are known to have expressed an interest.

Ranks Hovis McDougall, the food and drinks group, was the first to move when it valued a number of its brands at £670m last November.

The Accounting Standards Committee yesterday asked companies to desist from making brand revaluations like this until further work has been done into how values are calculated.

Mr Michael Renshall, ASC chairman, said: "There is still too much uncertainty about how it is done and about the meaning of the numbers that it produces."

The ASC called on companies to include information about intangible assets in notes to their accounts rather than in their balance sheets until further notice, though it has no power to enforce this.

In contrast, the Stock Exchange yesterday issued a statement likely to encourage companies to put intangible assets into their balance sheets. This was that companies could add in intangible assets when calculating their asset size for the purpose of Exchange rules concerning acquistions and disposals.

Until now the inclusion of intangibles has been allowed only at the discretion of the Exchange's quotations committee.

Under the Exchange's listings agreement (or "yellow book"), companies intending to acquire or dispose of businesses need the approval of their shareholders if the transaction exceeds certain size tests. One of these is when the assets exceed 25 per cent of the company's own.

This means that, by adding in intangible assets, some companies may be able to boost their own balance sheets and so escape the need for shareholders' approval on some transactions.

This is likely to appeal to companies which have potential predators sitting on their share registers with large blocks of shares. RHM, for instance, has said that this is one of the reasons for its own brand revaluation.

Lonrho also has a large and unwelcome shareholder, but did not list this as a reason for its move yesterday.

Other companies in the same position, at least one of which is known to have investigated revaluing intangibles, include Pearson, Cadbury Schweppes and Scottish & Newcastle.

Soliciting London barristers from the Bar

Raymond Hughes examines the likely effects of the proposed legal profession reforms

FEARS at the Bar, the barristers' professional association, about how it will be affected by the revolutionary changes proposed by Lord Mackay, the Lord Chancellor, for the legal profession seem to have real substance.

Lord Mackay's proposals amount in practical terms to the fusion of the two branches of the profession, with the door being opened to solicitors to conduct cases in the higher courts.

The proposals have been stigmatised by Mr Desmond Fennell, the chairman of the Bar, as "a charter for the big battalions" - the leading London law firms. He envisaged the Bar withering away as its stars were headhunted by the solicitors.

A survey of partners in some of these firms suggested that, in the long term at least, the number of independent barristers will shrink.

Solicitors' firms will begin to develop in-house advocacy departments, and entrants into the law who hitherto might have opted for the Bar may decide they have better career prospects as solicitors.

Mr John Calvert, of Simmons & Simmons, saw the employment of barristers as a fairly strong possibility. He said that for some time there had been rumours of barristers having been approached by, and approaching, City of London firms.

He anticipated more applicants from graduates to complete solicitors' articles, the two years' indentured training required for full qualification as a solicitor. The Bar, he said, "can't look to be a very bright or assured future now."

Mr Andrew Walker, of Lovell White Durrant, saw the specialist Bar diminishing, if not disappearing entirely. He thought it more likely that junior barristers rather than senior members of the Bar, called Queen's Council, would be attracted by the idea of joining a City firm.

Mr Richard Youard, of *Slaughter & May*, saw little in the proposals for the big City players. "We have been in a free market for a long time. We are not dependent on the Bar to tell us what the law is."

As for headhunting, the question of whether to use in-house or outside advocates was one of business efficiency, he said.

Mr Bill Park of Linklaters & Paines, thought Mr Fennell had overreacted to the risk of top barristers being headhunted. Apart from any other considerations, barristers' traditional independence would make it difficult for them to fit in, Mr Park said.

"Somebody who has been trained to think only of himself or herself would find life very far from congenial in a major firm."

There would, however, have to be a move towards in-house advocacy departments because that was what foreign clients and lawyers demanded. But it would be at least 10 years before that really took shape, and even then there would still be room for the Bar.

"I think we have to ensure that a pool of independent barristers remains - although it may be reduced in number and, perhaps, be more selective in quality."

Mr George Staple, of Clifford Chance, the largest City firm, said its purpose was to provide *specialist legal services for clients* in the commercial field and up to now the Bar had served it well.

But if the Bar was not going to survive in its present form, in the longer term solicitors would have to provide *advocates in-house*.

Baker & Mackenzie, part of an international law firm, is in the lower half of the leading 100 London firms in terms of size.

Mr Tom Handler, a partner specialising in litigation, thought there was a very real danger that the top firms would finally cream off the leading barristers, if not by bringing them in-house, then on a fee sharing basis or some form of exclusive arrangement. "The best of the Bar is not going to be available to our clients," he said.

From the other branch of the legal profession came the view that Lord Mackay's proposals were ill-thought out.

Mr Ronald Burley, senior clerk to one of the London's big sets of commercial chambers, as firms of barristers are known, said that the general feeling there was that the proposals were not in the public interest.

"It puts pressure on barristers if the mega-firms seek to lure them to their offices with offers of great security and substantial payments. Their services will be denied to the medium firms and to the general community."

LORD Mackay, Lord Chancellor, defended his proposals for reform of the legal profession, by saying they derived "from the general policies of the Government" and were to give people better access to the legal system.

His proposals aroused opposition from the Bar and from Lord Hailsham, the former Lord Chancellor. He wrote in The Times newspaper yesterday that Lord Mackay was removing "the incentives to honourable conduct" by upsetting the balance between solicitors and barristers.

Lord Mackay said: "The point is I think that we emphasise the need for the maintenance of standards and suggest ways in which the standards will be maintained. There is nothing... to suggest that the two branches of the profession should not continue to exist and there will continue to be a balance between them."

Lord Hailsham criticised Lord Mackay's proposals, including a powerful supervisory body, as a "bureaucracy under a quango."

But Lord Mackay suggested that his predecessor had fallen foul of a misunderstanding. He said on BBC radio: "The quango is none less than the Lord Chancellor's advisory committee which advised him over a long period. All we are suggesting is that its remit should be enlarged to include conduct and its constitution should involve a large lay contingent."

On contingency fees, Lord Mackay rejected Lord Hailsham's view that they were "inherently immoral."

European joint plan for laser

THE Science and Engineering Research Council's corporate plan proposes a laser 100 times as powerful as anything yet *available to European scientists*, writes David Fishlock.

The laser would be build as a European collaboration and put European laser scientists into the same league as US, Soviet and Japanese colleagues.

It would serve European universities much as CERN, the European Laboratory for Particle Physics, near Geneva, which provides powerful nuclear beams for physics experiments.

The laser would offer 100-kilojoule bolts of energy. Research would be pure civil science to gain a basic understanding of high-density plasmas generated by bolts of laser energy, said Professor William Mitchell, council chairman, introducing the plan.

He said the plan would proceed only as a collaboration. The council was talking with France, West Germany, Italy and Spain.

The plan says Britain's central laser facility, near Oxford, was cost-effective and had world "firsts" to its credit, but was no longer internationally competitive. The council intends to expand its income by researching under contract, for industry for example.

UK NEWS

Joint Credit Card Company sheds staff in reshaping

By David Barchard

THE JOINT Credit Card Company, which issues the Access credit cards, has shed 100 of its 250 sales staff as part of a streamlining operation to prepare for a new role as a multiple card processing organisation.

After last autumn's shake-up in the credit card industry, JCCC is developing its processing capacity to handle cards belonging to the rival Visa network and operations in Continental Europe. It has also adjusted its systems to handle transactions in currencies other than sterling and the Irish pound for the first time.

The JCCC's traditional role has been in doubt since last autumn when its three major shareholders, National Westminster, Lloyds, and Midland banks, decided to compete against each other in offering credit card facilities to retail outlets. This had previously been carried out for them by JCCC, which is based at Southend-on-Sea in south-east England.

All three banks have now joined Visa International, the rival credit card network, so as to be able to offer retailers both Visa and Access facilities.

Mr Tony Lee, chief executive of Access, said yesterday that the Access sales staff had been told they were free to chose how they should take advantage of new opportunities for them in the credit card market. He expected the winding down of the Access sales operation to continue.

Access has also tried to improve its image by redesigning the card to give it a more international appearance. This has been accompanied by an advertising campaign stressing the card's international ease of use. There are now about 13m Access card holders in the UK.

However, the banks owning the JCCC have given approval for an investment programme to expand its processing capacity. Mr Lee said that creating the extra capacity had been almost as great a task as setting up the system itself.

He said: "The company is now preparing to evolve towards a role which is mainly that of a commercial third-party processor."

Spokesmen for NatWest, Lloyds and Midland confirmed yesterday that none of the banks at present contemplated selling its stake in the JCCC.

A Lloyds spokesman said: "Access cards remain an extremely important product for us. However, we do expect that the JCCC will gradually move towards a larger processing role."

Polls favour more liberal Sunday trading laws

By Maggie Urry

TWO OPINION polls published today show strong support for changes to the laws on Sunday trading in England and Wales. Sunday shop opening is already permitted in Scotland.

A National Consumer Council poll, carried out by Mori, which interviewed 1,780 people, said that 63 per cent of respondents were in favour of change and 32 per cent against.

The other, run by the Consumers Association and based on a sample of 1,200 members, said three out of four consumers "consider they should be allowed to go shopping when they like."

Mr Maurice Healy, director of the NCC, said: "This gives the Government a clear mandate to liberalise the law."

The polls come after a High Court decision which in effect prevents local authorities from getting injunctions to stop shops opening on Sundays.

Three councils applied for injunctions but were told that they could not be granted until cases at present before the European Court, are concluded later this year. That Court is examining whether the Shops Act, which councils have a duty to enforce, breaks the Treaty of Rome.

Learning to farm out grassroots aid

Peter Montagnon examines government and charity collaboration

Kano, Nigeria: ODA puts premium on community based projects

IF THERE was ever an arm of Government that is not a candidate for privatisation, it is surely the Overseas Development Administration (ODA), which controls Britain's £1.3bn development assistance budget.

The business of administering official aid flows is so bound up with affairs of state that it is hard to imagine any way in which it could be hived off to the private sector. Yet, with its new emphasis on collaboration with voluntary bodies such as Oxfam and Christian Aid, it seems to be toying with what amounts to the next best thing, at least so far as longer-term development projects are concerned.

This new focus, which is far removed from ODA's most public role in joining with the charities to provide emergency disaster relief, was signalled by Mr Christopher Patten, Aid Minister, in a speech to an ActionAid symposium late last year. He said ODA was making "a pretty fundamental review of the working relationship between government and charities."

This is expected to be translated within a few weeks into a substantial increase in the £11.2m budget for jointly funded long-term projects in the developing world.

Even after the increase, which is likely to raise spending to about £17m or £18m, the amount spent by ODA on this type of operation will still be tiny compared with its total budget. Aid experts generally agree, though, that the philosophy behind the move reveals more about ODA thinking on development priorities than the money alone suggests.

Not only does the idea of working with voluntary organisations dovetail neatly with the Government's general emphasis on individual responsibility in dealing with social issues, it also responds to a worldwide preoccupation. This is the need for official development spending to reach the poorest sectors of societies which are in the greatest need of help.

The ODA has worked with charities in the developing world. At one level that is seen as a cost-effective way of disbursing money for small individual projects involving particularly disadvantaged communities in far-flung places – projects which would otherwise be uneconomic for the department to handle alone.

Under the present system, the voluntary organisation selects possible projects for joint-funding. The ODA is adamant that it is not trying to sub-contract its fieldwork to outside agencies, but it does have certain criteria for the projects on which it chooses to spend money.

One is that there should be strong local community involvement in the recipient country. Here voluntary agencies, know in development jargon by the ponderous term of non-governmental organisations (NGOs), can play be useful for their close contacts with similar organisations in the developing world.

Another is that the project should have some lasting developmental value and not just involve social welfare hand-outs. Projects should be self-sustaining in the longer term, which might mean the imposing charges for the services provided.

The ODA hopes thus to promote what can best be described as grassroots capitalism – the creation of small businesses from which eventually wealth, economic growth and employment can be created. Officials at the ODA say this transcends UK party politics and is perfectly in tune with a broader emerging international theme in development politics: that of nurturing the Third World's own private sector as an agent for development.

It might be supposed that the voluntary agencies, which shy away from being seen as arms of government, would view suspiciously the prospect of such collaboration. Some do have reservations, but their criticisms are muted and most of the bodies welcome the emphasis placed on helping the most poor, which they see as a refreshing antidote to the idea of just doling out aid money in support of British exports.

"The ODA is coming closer to our own philosophy," says Oxfam. Mr John Cunnington, head of programmes at War on Want, adds: "It is an acknowledgement that the ODA recognises the importance of NGOs." However, he admits to being worried that government involvement in voluntary projects might favour some countries over others, such as Vietnam, which receives no UK official aid although the needs of its poor are considerable.

Some development specialists go further. They are concerned that voluntary agencies might be used to alleviate the adverse effects on the poor from International Monetary Fund adjustment programmes of which they disapprove. But the greatest practical worry is the requirement imposed by the ODA on voluntary agencies as a condition for collaboration that they should do more to evaluate and appraise their projects.

Some of the largest international agencies such as Care and the Aga Khan Foundation have very well established evaluation systems. Indeed, the ODA has been so impressed with an Aga Khan Foundation rural support programme in northern Pakistan, into which it has already put £300,000 on a joint funding basis, that it is incorporating it into its mainstream bilateral aid programme for that country.

Yet ODA has long been worried about the quality of evaluation at some other agencies. This is a skill which many are too small to develop and of which their donors have little understanding.

"In principle we would certainly support more rigorous evaluation on the part of NGOs," says Mr Roland Hodson, chief executive of ActionAid. "The Government may play a useful role as a catalyst in helping NGOs do that."

If he is right, ODA may end up not only devising a means of making official aid money reach the poorest sectors of the community in the developing world but also of creating a remarkable exception to the normal convention that more government involvement actually means less efficiency.

GOVERNMENT INVOLVEMENT WITH PRIVATE CHARITIES

	Private grants extended by voluntary organisations		Official contributions to voluntary organisations	
	$m equivalent	$ per capita	$m equivalent	% of official aid
All OECD donors*	3,338	4.75	1,951	5.3
UK	191	3.37	12	0.7
USA	1,753	7.26	1,060	11.1
Japan	82	0.66	92	1.6

*18 leading countries grouped in the OECD Development Assistance Committee.
Source OECD. Figures are latest available and relate to 1986

COMPANY NOTICE

NOTICE OF REDEMPTION
A.F.I. ATLANTIC FINANCIAL INTERNATIONAL N.V.

Secured Adjustable Rate Notes Due 1994

NOTICE IS HEREBY GIVEN in accordance with the Indenture of Trust dated as of August 15, 1984 (the "Indenture") from A.F.I. Atlantica Financial International N.V. (the "Company") and Atlantica Financial Federal to Marine Midland Bank, N.A. (the "Trustee"), that all outstanding Secured Adjustable Rate Notes Due 1994 (the "Notes") issued by the Company pursuant to the Indenture shall be redeemed on February 28, 1989 (the "Redemption Date") at their principal amount. The redemption of the Notes is being made as authorized by the eleventh paragraph of the reverse side of the Notes and pursuant to the applicable provisions of the Indenture.

Payment of the principal amount, together with interest accrued to the Redemption Date, will be made on the Redemption Date upon presentation and surrender of the Notes to be redeemed with all coupons, if any, appertaining thereto maturing after the Redemption Date, at any of the following paying agents for the Notes: (i) Banque Paribas, 3 Rue d'Antin, 75008 Paris, France, (ii) Banque Paribas (London Branch), Lombard Street 68, London EC3V 9LJ, U.K., (iii) Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels, Belgium, (iv) Banque Paribas (Luxembourg) S.A., 10-A Boulevard Royal, 2093 Luxembourg, or (v) Swiss Bank Corporation, Aeschenvorstadt 1, 4002 Basel, Switzerland.

Interest will cease to accrue on the Notes on the Redemption Date and any coupons for interest accruing thereafter shall be void. Coupons due February 28, 1989 should be detached from the Notes and presented for payment in the usual manner.

Certain payments may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person, or, in the case of a United States person, an executed IRS Form W-9, certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). A payment subject to the foregoing reporting and withholding generally includes any payment that is made inside the United States, including any payment paid to a United States address by mail or by electronic transfer, or with respect to which the issuer or the paying agent has actual knowledge that the payee is a United States person. Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty. Please provide the appropriate certification when presenting Notes for payment.

A.F.I. Atlantic Financial International N.V.

January 26, 1989

COMPANY NOTICE

Mitsubishi Bank of Australia Limited
A$40,000,000
Floating Rate Notes due 1992

Notice is hereby given that for the three months interest period from 23rd January, 1989 to 24th April, 1989 the Notes will carry an Interest Rate of 15.17925% per annum.
Interest payable on 24th April, 1989 will amount to A$375.95 per A$10,000 Note.

The Mitsubishi Bank, Limited
London Branch
Agent Bank

THE PROPERTY MARKET

Advantages of remaining private

By Paul Cheeseright

Michael Birchall was 35 and rather bored. "I didn't want to sell houses for the rest of my life." That led to the birth of Sibec Developments 10 years ago.

"I didn't have a bean," recalls the one-time chartered surveyor. He set up a one-room office above a travel agent in Wigan. "My biggest decision was whether to have a telex or not. My wife would answer the phone – we had the luxury of two lines." And there was a lady of 80-plus to do the books.

The property developer with a £1bn programme is now more likely to be concerned with his executive jet and, as he put it, "trying to mature a business, whether it's private or public."

In fact Sibec is private and likely to remain so. Had there not been a stock market crash in October 1987 and had the sentiment of the market not swung against the developer-trader companies, so fashionable in 1986-87, Sibec would have been quoted long since. But for the moment there is nothing the market can offer.

If there is a disadvantage in remaining private it is that "we don't have quoted paper where we can assess on a day-to-day basis what the company is worth, but, really, that doesn't matter, Birchall says.

The advantage is that Sibec has retained flexibility. "We don't have to respond to the fashion of the day." It does not have to do as comparable quoted development companies have done: be seen in the marketplace buying investment properties to boost net asset value per share when the object of the business is to generate cashflow by developing a property and selling it on.

The situation might be different if Sibec did not have what Mr Birchall believes is a more than adequate capital base to underpin the existing development programme, access to short-term borrowings and a sufficient cashflow to meet immediate commitments. By the middle of the year Sibec could have up to £30m on deposit.

There is no pressure for a listing. Mr Birchall holds justs over 50 per cent of Sibec. Executives hold around 10 per cent and a syndicate of institutions led by Midland Montagu Ventures and TR Property Investment Trust has 40 per cent. This pattern of equity ownership lacks only the leavening of small shareholders that a quotation would bring.

Michael Birchall: West-End style on a Mancunian base

Sibec's style is orthodox enough. With the development of, say, a shopping centre – the Sibec speciality – a major store is sought for a pre-letting. With this in place, a construction loan is arranged through the banks. With the building taking place, an institution is sought to replace the short-term funding with long-term finance.

The shopping centre at Aldershot is a case in point. It was a venture in two phases – the refurbishment of an existing complex and a newly built section. From the start there was income from the section to be refurbished. Sibec undertook the refurbishment, helped by bank finance, and then arranged with the Universities Superannuation Scheme to buy the refurbished part and to forward fund the new part. Thus Sibec took a profit on the first section and secured its return on the second.

An overseas strand of Sibec's activities will become increasingly important. If it works over a sustained period, it will make Mr Birchall, described by one broker as working "with West End style off a Mancunian base," an international tycoon in the sense that Sydney Mason of Hammerson became one.

This year, Sibec will earn 35 per cent of its profits overseas. By far the greater part of 1988 pretax earnings, expected to come out at just under £12m against £5.15m in 1987, have sprung from domestic activities. None the less expansion has been rapid. At the end of 1988 shareholders' funds were around £40m, compared with £25.8m at the end of 1987.

The eager lenders

Enthusiasm among the banks for lending to companies like Sibec has shown no signs of abating. Indeed, the pace has accelerated since, in the summer of 1987, Mr Robin Leigh-Pemberton, Governor of the Bank of England, politely urged caution.

It is too soon to establish whether higher interest rates are having any effect. In the the three months to November, bank lending to property companies rose by £2.2bn to a total of £21.2bn.

Chartered surveyors have been weighing this up. Debenham Tewson & Chinnocks noted that in that last quarter there was a 6 per cent increase in commercial borrowing but property debt grew by 12 per cent.

Savills, with an eye backwards to the property crash of 1973-74, recalled that, then, bank lending to the property sector stood at 12 per cent of commercial debt, while now it stands at around 7 per cent.

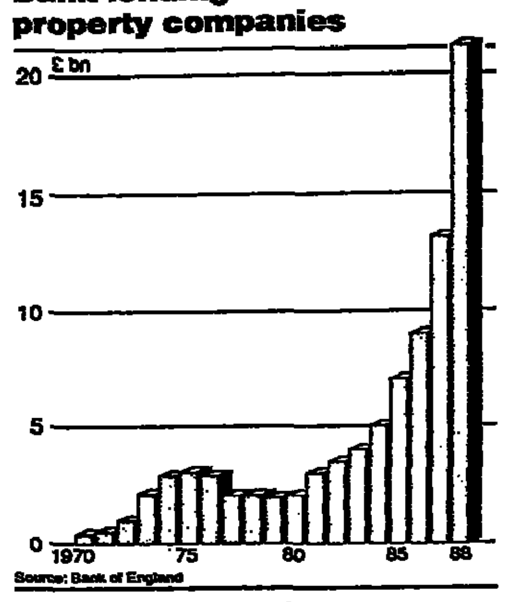
There is no sign that the pace of lending will slacken immediately. The property industry has gained a development momentum which will certainly be sustained over the next few months. This could be tempered by a reluctance among banks to lend on more marginal projects, given that higher interest rates could make the finances of some smaller companies look fragile.

What has made life easier for Sibec and others has been the growing competition among the banks and the drive into the marketplace by foreign banks.

Four years ago, overseas banks accounted for just under a quarter of the lending to property companies. Now that proportion has reached 38 per cent. In recent quarters the biggest push in the market appears to have been made by European banks.

Sibec has noticed that since it started to become involved in Belgium and Spain, its activities have attracted the attention of European banks. Once British companies take on foreign commitments, their sources of financing inevitably widen and become more elaborate.

Bank lending to property companies



Source: Bank of England

For Sibec this elaboration will probably reach a pinnacle with the financing of a £2.5bn plan to develop, in a consortium, a retail, leisure and cultural complex outside Leningrad.

This is likely to be led by an Austrian bank and will probably make Sibec's domestic financing arrangements look like a ride through play school.

CLOSING DATE 12 NOON 17TH FEBRUARY 1989

415 STRAND

LONDON WC2

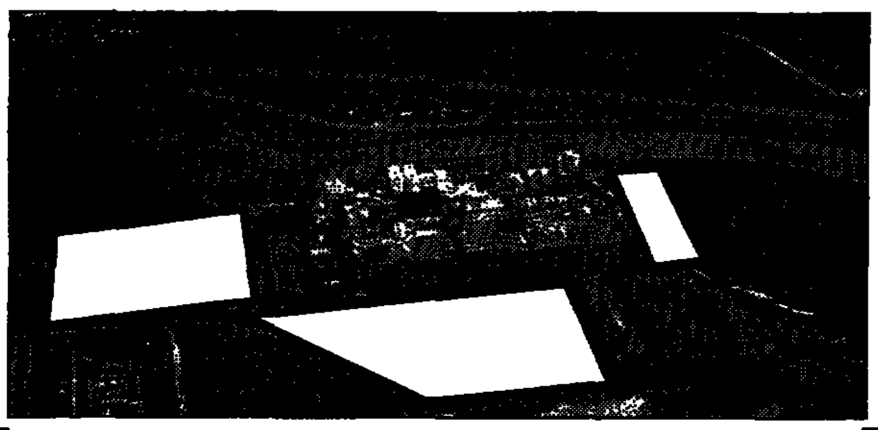
FREEHOLD
With Vacant Possession.
FOR SALE
By Formal Tender
(unless previously sold)

Richard Ellis
Chartered Surveyors
Berkeley Square House
London W1X 6AN. Fax: 01-493 3734
Tel: 01-629 6290

CONWAY MORRIS
01-409 2200

ON THE INSTRUCTIONS OF COLGATE PALMOLIVE

8.9 ACRES
LEASEHOLD ENTERPRISE ZONE LAND
JOINT VENTURE SOUGHT



COLGATE LANE SALFORD MANCHESTER

Richard Fenton
James Andrew Badger
SURVEYORS & VALUERS
INTERNATIONAL PROPERTY CONSULTANTS
11 Waterloo Place, London SW1Y 4AU
Tel: 01-839 4436
Telex 896839 Fax 01-930 1361

David Lyons
Gerald Eve
Chartered Surveyors
1 Rumford Place Liverpool L3 9QY
Telephone 051 236 3009
Facsimile 051 236 5041

BRIGADE HOUSE

Parsons Green, London SW6

Outstanding Development Opportunity
For A Headquarters Office Building

12,000 Square Feet
999 Year Lease at a Peppercorn
For Sale

BOSTON GILMORE
4 Cambridge Grove, Hammersmith,
London W6 0LA. Fax: 01-741 4492
01-846 8081

GEORGE STEAD
701 Fulham Road, London SW6 5UL
Telephone 01-731 8480 Fax 01-731 8516

FRANCE

Retail site opportunity in centre of Lille proximity Channel Tunnel. Currently trading as restaurant 1380m2 on 3 levels and basement. Price £950,000.

Martin Monk & Co
Just Overseas 0743 64108.
Fax 0743 236327

SHORT/LONG TERM furnished offices in W1 - available now 01 734 7950.

ENTERPRISE ZONE INVESTMENT
MEDWAY CITY ESTATE

£90,000 to £1.2 million

Contact:
East Mercia
Developments Ltd
Tel: 01-938 2222

THROGMORTON *BUSINESS* CENTRE

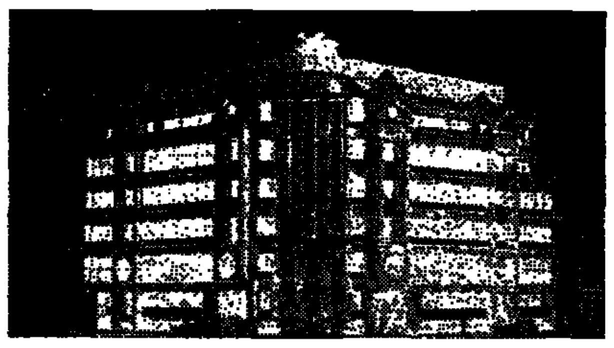
Superior serviced offices, fully furnished, 24hr security. Immediate occupation, 2 mins from Bank underground & easy access to all City Main Line *Stations. For further details*

Telephone: 01-606 1771

ALIFFE HOUSE MANSELL STREET LONDON E1

City Financial Location
Striking Headquarters Identity
Low City Rents
Low City Rates

Up to Approx. 62,000 sq. ft. To Let
Available April 1989



Jones Lang Wootton
01-638 6040

Sinclair Goldsmith
01-929 9191

Richard Main
01-623 6685

A Unique Property by Roy Developments Ltd

100% TAX RELIEF FOR INVESTING IN PROPERTY

You are cordially invited to attend one of a series of nationwide presentations on the opportunities available for investment in:

ENTERPRISE ZONES

Individuals can shelter income tax and companies can shelter corporation tax on income and capital gains by investing directly in industrial and commercial properties in Enterprise Zones. Furthermore, there is no limit to the allowances available and companies can even carry back any unused allowances to the previous year.

BUSINESS EXPANSION SCHEME

Individuals are now entitled to tax relief in respect of investments of up to £40,000 in a company which lets residential properties to assured tenants. Shares in the company can then be sold after five years with no liability to income tax or capital gains tax.

LONDON WC2 - TUESDAY 31ST JANUARY

* Each presentation session will describe both Enterprise Zone investments and BES for Residential Assured Tenancies.

* Choice of early afternoon session 12 - 2 pm; OR late afternoon session 4 - 6 pm.

For further information please contact Claire Hobson on 01-480 7513

This invitation card has been approved by Coopers and Lybrand who are authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

ENTERPRISE ZONE DEVELOPMENTS

ADIA HOUSE
84-86 REGENT ST
LONDON W1

Impressive Headquarters Office Building

Lease for Sale

29,257 sq.ft. approx

SURVEYORS, VALUERS & PROPERTY CONSULTANTS
GERVER FREEDMAN
10 CONDUIT STREET, LONDON W1R 0BR
01-493 0206
FAX 01-629 8913

South West Scotland

Industrial Site for Development with Cheap Hydro-Electric Power

Leases are available on a large site in Kirkcudbrightshire in Dumfries and Galloway. The land, currently undeveloped, could be divided into plots suitable for light industry, amply supplied with cheap hydro-electric power generated on site.

Grants, loans and support in industrial planning and construction are readily available. We would be interested in discussing potential uses for the site, including all or part of the hydro power, either on a joint venture basis or through a lease.

- Newly constructed hydro-electric capacity of 1200KW produces 7 million KW hours annually, which will be offered to tenants at very competitive prices. Potential for substantial extra capacity in two years
- Good supplies of industrial water and timber (mainly conifer)
- Dumfries – 25 miles, Ayr – 35 miles
- Environmental considerations are important, and use of the site will be subject to any necessary planning permissions being obtained.

Please contact Fred. Olsen Ltd., Europa House, 266 Upper Richmond Road, London SW15 6TQ.

APPROX. 11,000 SQ.FT.
QUALITY OFFICES TO LET

LLOYDS CHAMBERS St Quintin 01-236 4040 PORTSOKEN STREET, E1

OXFORD

OFFICE & RESEARCH COMPLEX SET IN OVER 320 ACRES.

POTENTIAL B1 USE

FREEHOLD FOR SALE

Ref: Andrew H. Smith

DEBENHAM TEWSON & CHINNOCKS
01-408 1161
44 Brook Street, London W1A 4NA

SOUTH WALES

(Clients moving to larger premises)

TO LET

17,800 sq. ft. MODERN INDUSTRIAL UNIT

1 mile M4 Junction 32 — 4 miles North of Cardiff — ½ mile A470 Merthyr Tydfil Trunk Road

14,400 sq. ft. Working area - Maintenance and repair workshops. 3,400 sq. ft. Ancillary Offices.

AMPLE LORRY/CAR PARKING

Prime position for warehousing/distribution depot, subject to planning.

Apply Sole Agents

Herbert R Thomas Son & Edwards
59 High St. Cowbridge
South Glamorgan CF7 7YL
Tel: Cowbridge 2911/2/3

FREEHOLD

SITE FOR SALE

AN EXCITING B1/ LEISURE OPPORTUNITY

FORMER FULHAM POWER STATION SITE

TOWNMEAD ROAD
FULHAM, LONDON, SW6

Approx: 2.6 ACRES

For further information contact:
Nicola Bell — Tim Holmes
Philip Browne — Gerald Allison

FARRAR STEAD & GLYN 01-434 9272
DEBENHAM TEWSON & CHINNOCKS 01-408 1161

PRELIMINARY ANNOUNCEMENT

Kingswater Developments Limited

LONDON BRIDGE, S.E.1

New Office Development To Be Let
15,800 sq. ft.

READY FOR OCCUPATION
January 1990

SOLE AGENTS
E.A.SHAW
01-403 7250

PRUDENTIAL
ON THE INSTRUCTIONS OF PRUDENTIAL PORTFOLIO MANAGERS LTD.

52/54 LEADENHALL ST., LONDON EC3

4,800-26,500 SQ.FT. TO LET

FULLY REFURBISHED HIGH SPECIFICATION OFFICES

AIR CONDITIONING: RAISED FLOORS
QUALITY ENTRANCE HALLS AND COMMON PARTS

St Quintin
01-236 4040

UNIQUE RESIDENTIAL INVESTMENT

- Prestigious Residential Reversionary Tenanted Property
- All Modern Purpose-built Developments
- Fully Maintained by Occupiers
- Ground Rent Income
- Enormous Future Potential
- Ideal for Investment Companies/Pension Funds/Family Trusts Seeking a Prime Residential Investment Portfolio

For further information contact:
Mr P. A. Langridge, Highfield House, 27 South Street, Tarring, Worthing BN14 7LG.
Tel: 0903 204106

MORTGAGES

5/10 YEARS
10% INTEREST
BALANCE ROLLED OVER
Minimum advance £1,000,000

Apply to:
HIRSCH
Europe's Leading Finance Consultants
HIRSCH INTERNATIONAL (Financial Services) Ltd.
15 Berkeley Street, London W1
tel: 01-629-5051 fax: 409-0419

Munich

Ideal central office and flat on one floor, 528m, £5,000 p.m. ALSO central luxury hotel, 25 bedrooms for sale.
Ring 01-839 1141

FOR SALE
CHORLEYWOOD HERTFORDSHIRE
GOLF COURSE SITE
SLOAN & CO
2 SPRING STREET, LONDON W2 3RA
Telephone: 01-706 2222

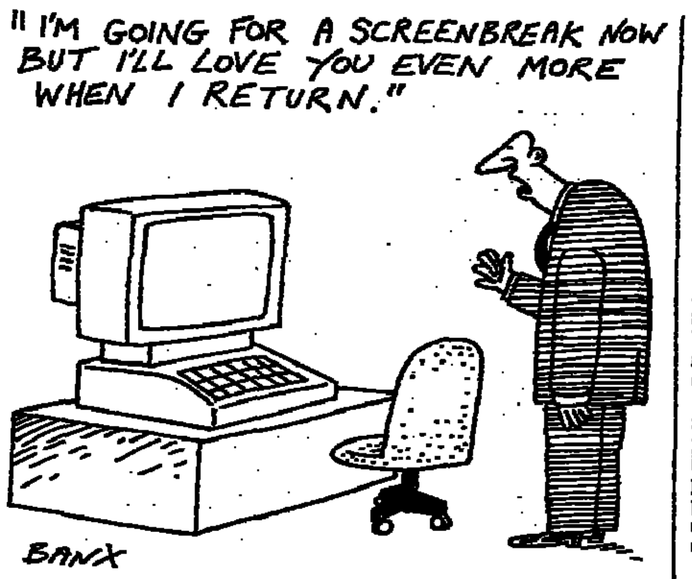
Freehold of prestigious offices with showrooms and warehouse facilities in 1.30 acres with P/P for further warehousing, 3 mins M1/M18. Ideal as National HQ. Offers in excess of £500,000.00. Principals only apply to: *P G Graham Alan Farrell & Co, 12 Lidget Lane, Dinnington, Fax No (0909) 564318*

TAX EFFICIENT FREEHOLD PROPERTY INVESTMENTS

100% Tax Allowance

New Freehold Industrial Units in Enterprise Zones. Guaranteed Rental Income. Initial Pre-Tax Yield 7.5%. Individual Units from 300 sq.ft. to 21,300 sq.ft. Prices from £32,000 to £900,000.

Arnold and Company
Tel: 021 766 1492



The gospel according to Apple

It was evident from the moment he came into view, a silicon chip affixed to his forehead and wearing a cassock and Warren Beatty smile, that this was not going to be any ordinary computer show.

What he or the chip were doing at Macworld in San Francisco last week never became clear. But the presence of the cassock was more understandable. Macworld existed to celebrate the apotheosis of the personal computer – in this case, the Apple Macintosh.

The company itself was unapologetic about the celebration. Jean-Louis Gassée, of Apple Computer, California-based manufacturer of the Macintosh, explained before an audience of several thousand that they were there to celebrate the fifth anniversary of the advent of a magical computer – one that had transformed lives through its power and user-friendliness.

In an atmosphere similar to a Billy Graham revivalist assembly, users explained their conversion. One announced that the Mac was the first non-passive machine, a computer that allowed him to work with the other half of his brain, to extend the reach of his body. It was, he said, like coming home. The congregation applauded.

The advantages of the Mac were undoubted, said another. The machine allowed you to do what you used to do, but better and faster; it let you do what you wanted to do and couldn't; and finally, it offered applications you couldn't previously have dreamt about.

One convertee explained that what she liked about the Mac was that not everybody initially liked it. You had to convince them.

At this point in the show, the Apple public relations man leant over to me and asked if I owned a Mac. After I had confessed single ownership of an Amstrad PCW, he said he would have a word with his counterparts in the UK who would loan me one. Then, he said, I would understand what this was all about. I felt rather as I had when a kindly Indonesian Moslem lent me a copy of the Koran and, on later hearing that I had read it, announced that I was now a Moslem because the word of God had been revealed to me.

The presentation continued as Apple made the point that the Mac-god was an ecumenical one. In a spoof advertisement, the company showed the editor of Hinduism Today, based in Honolulu, explaining the benefits of desk-top publishing. The paper's new slogan was, "Drive Hinduism ahead through accepting Apple Macintosh – a tool to enlighten the world." One San Francisco newspaper reporting the event thought the advertisement was real – the mistake was, however, understandable because Apple enthusiasts really do seem to be different.

Certainly, the range and variety of people at the show were impressive. Teenagers talking in incomprehensible abbreviations and acronyms walked past directors in cowboy hats and berets, who boasted that their companies would be worth more than $100m by the end of the year. Long-haired programmers, dressed in dungarees and translated from the early 1970s, mixed with company executives clutching skin-coloured balloons. And although Apple and its universe have recently been accused of becoming respectable, a number of the check-suit wearing businessmen still had pig-tails.

The companies exhibiting at Macworld were no less exotic. Even some of their names were bizarre: from Strawberry Tree Computers to Silicon Beach Software, they betrayed their west coast origins.

The salesmen and women extolling the virtues of their products to applauding audiences were also unusual. It never did become clear what the man in tails and red tie playing a grand piano and singing "This is the time" was trying to sell.

It was clear, however, that some of the sales people were successful. The escalators leading out of the main hall were loaded with newly purchased Macs and the 450 exhibiting companies and 58,000 visitors appeared to leave mutually satisfied with the event and with the Macintosh product.

William, the shoe-shine man by the exit, was also happy with the Macintosh. He reckoned that by the end of the day he would have covered between 30 and 40 pairs of shoes – one of the highest totals of the year. He too confessed himself an Apple fan.

Paul Abrahams

Ink spots hit the production trail

Paul Abrahams reports on the spread of the bar-code to factories

The ubiquitous bar-code is playing an increasingly important role in the development of modern manufacturing. The use of these machine-readable codes helps companies to improve quality and inventory control and sharpens their ability to trace the origin of a faulty product.

However, until recently, manufacturers found it difficult to make the process of applying bar-codes to goods integral to their highly automated production lines. There was little point in using bar-codes if their application – which was often by hand – caused production bottlenecks.

The makers of continuous ink-jet systems, which include Domino and Videojet, of the UK, and Imaje, of Valence in France, are trying to interest industrial companies in their technology as a means of overcoming this problem. They believe that continuous ink-jet printing operates quickly enough to remove the risk of bottlenecks. Alan Barrell, chairman of Domino Printing Sciences, based at Cambridge, says that some of the company's machines can print as many as 35,000 bar-codes an hour.

The process is rapid because there is no direct contact between the printer and the surface of the product. Instead, the information is sprayed on in a jet of ink droplets.

In the ink-jet printer, the ink is pumped from a reservoir by a small rod which is made to vibrate by a modulated ultrasonic signal. The rod vibrates 64,000 times a second and forces the ink through a nozzle measuring between 65 and 75 microns – about the same width as a human hair. Each second, 64,000 droplets are formed. As the particles of ink fall, they are measured to make sure that that they are arriving at the right frequency. Each droplet in the stream passes through the nozzle faster than a bullet from a .22 rifle.

A selected number of particles are then given an electric charge by an electrode. As they fall further, they pass between two electrostatically charged plates which deflect the charged particles. The pattern of the droplets on the final surface is determined by a program that runs on an Epson portable computer. This informs the electrode how much it should vary the charge in each droplet and so dictates the degree of deflection.

The program takes into account both the aerodynamics of each individual particle's flight and the effect of each charged particle on the others – the charged particles repel each other and the program has to compensate for this. The uncharged particles are not affected by the electrostatically charged plates and fall straight down into a gutter to be pumped back to the reservoir.

Alan Barrell, of Domino, explains that although the technology of ink-jet printing has been available for a number of years, the sector where the technology has penetrated furthest is the food processing industry.

One of the main reasons for this is legislation enacted by the European Commission, in particular the regulations controlling sell-by and best-before dates. This means that each packet of perishable food has to be coded and ink-jet printing has been an obvious choice for many companies, says Barrell, because the information could be printed so quickly.

The other main stimulus to ink-jet printing has come from the pharmaceuticals industry, which has adopted it in an effort to improve the traceability of faulty products.

"Previously, if a product was found to be faulty, products had to recalled on a national basis," explains Barrell. "The publicity on radio and television could have dramatic and unfortunate results on the image of the item and subsequent sales. Now, with individual coding of packets, faulty batches produced on a particular line can be traced and withdrawn quickly."

Other sectors are now using ink-jet printers to help trace stock. Lucas Heavy Duty Brake Systems in Pontypool, a division of Lucas Industries, has installed two ink-jet printers on a production line manufacturing brake components. The printers were supplied by Videojet Systems International, a division of GEC.

Edward Male, a process engineer at the Pontypool factory, explains that each individual item manufactured on the line is given a unique code with yellow pigmented ink which will resist the harsh conditions of heat and salt-spray under the wheel arch.

"We haven't had a product fail, but if one does we want to be able to assure our customers that we can find out where it came from and prevent others getting out," says Male. "The cost of the printers – about £25,000 – is a small investment compared with the possibility of having to recall a whole week's production, about 90,000 items. If there is an error we would now have to withdraw less than 1,000."

The ink-jet companies are trying to expand the range of applications for their printers. In particular, they stress the role that machine-readable code can play in quality control and in reducing inventories.

Digital Research is using the technology at its Scottish computer board factory. It aids quality control by showing which production stages have been completed and tested.

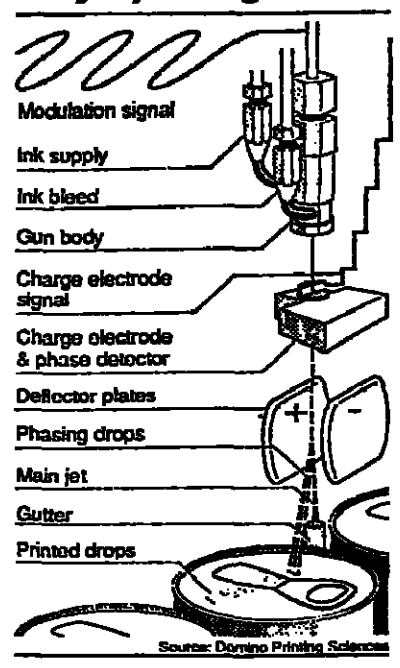
Mibelle, the toiletries and cosmetics arm of Migros, the Swiss retail co-operative, has installed 47 ink-jet systems on its production lines at Buchs, near Zurich. Max Basler, Mibelle's technical manager, stresses the importance of inventory control in a factory which handles 40m tonnes of raw material a year and manufactures 190 varieties of product. He reckons that this ink-jet installation is the largest in Europe.

"What we needed was a system which was fast and could print variable information in three different languages," says Basler. "Then we needed something that could be integrated with our computer system to keep track of the flow of goods and raw materials. Not only was ink-jet technology quicker than putting the label on by hand, but it also allowed us to reduce the number of personnel on the line."

Ink-jet printers are also being used increasingly by the print media to print subscribers' addresses on the publications. The machines can easily be added to existing print lines. Both Time and Newsweek, the US news magazines, use them, as does the Financial Times in the US.

Among the other organisations employing the technology to increase efficiency is The Inland Revenue, the UK tax authority. It has bought 11 Domino machines, which can print the addresses of taxpayers at a rate of 40,000 an hour.

Ink-jet printing



Source: Domino Printing Sciences

Swedes hear a powerful case for windmills at sea

By Thomas Land

THE Swedish Government is considering a report which recommends the building of up to 300 windmills at sea.

Carried out by the Swedish consultancy group VBB, the feasibility study concludes that a wind farm, costing just under £1bn, could produce by the end of the century about the same amount of electricity per year as a medium-sized nuclear power station. Built off the country's southern coastline, the report says that the power plant would have no adverse effects on the environment.

Wind-farms are expected to gain a price edge in electricity generation over coal and nuclear power stations in the coming decade. This is because the cost of wind-generated electricity is continuing to decline, through technical advances and economies of scale.

The project, one of the most advanced in the world, involves anchoring the windmills to the seabed. Production costs are estimated to be comparable with those of power plant using other energy sources.

The feasibility study was commissioned by the local authority of Blekinge County, on the Baltic coast near the proposed marine construction site. It concludes that both wind and seabed conditions at the site, which is about 20km offshore, are suitable for power generation.

Because the average wind speed is substantially higher and more even at sea than on the land, the wind-powered generators could function nearly a third more efficiently than comparable land-based units, says the report.

The windmills would be far enough from the shore to keep noise and television interference to a minimum and they would hardly be visible from the mainland.

Among the advantages of the project listed in the report are the social and economic acceptability of the scheme. It would provide up to 3,000 man/years of local employment.

Sweden is a world leader in the search for safe and environmentally acceptable energy sources. The quest is fuelled by the national energy programme which calls for the complete phasing out of nuclear power by the year 2010.

This necessitates a major building programme, costing more than £7bn, which is expected to result in substantial electricity price increases. But in the aftermath of the Chernobyl disaster in the Soviet Union, opinion polls conclude that many Swedes consider the price acceptable.

Sweden is already involved in marine construction in order to bury in the seabed the nuclear wastes generated by its existing reactors. The Government recently introduced provisions for dealing with nuclear accidents and published legislation to outlaw the building of new reactors.

Taking stock of the moral, ethical and behavioural sciences

INSIDE EDGE

Michael Skapinker talks to Frank Heller about the influence of Britain's Tavistock Institute in worker democracy

In 1987 the prime minister opened a conference on the application of the social sciences to the world of work. In her speech she paid fulsome tribute to the social scientists who had pioneered the introduction of democracy into the workplace. She also announced an enormous social science research programme aimed at finding ways of encouraging even more democracy at work.

For those rubbing their eyes in disbelief, the prime minister in question was not Margaret Thatcher. It was Gro Harlem Brundtland, the prime minister of Norway. The conference she was addressing, in Oslo, was held in honour of the eminent behavioural scientist Einar Thorsrud, who had died two years previously.

That Mrs Thatcher is unlikely to talk about the social sciences in such affectionate terms is not without its ironies, says Frank Heller of the London-based Tavistock Institute of Human Relations.

Thorsrud and his Oslo Work Research Institute were strongly influenced by British ideas. Many of their theories on greater employee participation were originally based on work done at the Tavistock, as Brundtland acknowledged in her speech. Scandinavian companies such as Volvo were quick to see the advantages of greater employee involvement. British companies, for the most part, were not.

"One tends to get more credit abroad than at home," Heller says. The low regard in which the current British government holds the social sciences makes people like Heller feel even more beleaguered.

Heller admits that the Tavistock is partly to blame for its low profile in the UK. It does not have a public relations or press officer. As a non-hierarchical organisation, it does not even have a director. Heller is happy to talk about his own work, but is anxious that he should not be seen to be speaking on behalf of his colleagues.

The institute, which was set up in 1946, aims to combine research in the social and psychological sciences with consultancy and training. Among its recent projects are an examination of the reasons for violent attacks on staff at unemployment benefit offices, helping a company in Northern Ireland implement new guidelines aimed at combating religious discrimination, and providing advice on organisational change to the Federal Electricity Commission in Mexico.

All the institute's funding comes from the companies, organisations, research foundations and government departments for which it does research, consulting or training work.

The institute shares its premises in Belsize Park, North London, with the Tavistock Clinic, a psychoanalysis centre which is part of the National Health Service. Although there is some personal contact between the clinic and the institute, there is no formal link between them. Only a small number of the institute's 36 members have a psychoanalytic background.

Heller, who is 68 — "one of the best things about the Tavistock is that you don't have to retire" — began his working life as an engineer in the motor industry. He followed that up with degrees in economics and psychology.

He taught management studies at the Polytechnic of Central London until 1961, when he was recruited by the International Labour Organisation to advise the Argentinian government on management education.

His initial appointment was for one year, but he ended up staying in South America for six, working in both Argentina and Chile. He then taught for two years at the University of California at Berkeley, before returning to the UK in 1969.

He considered several university jobs, but they struck him as too restrictive. He settled for the Tavistock instead. "The beauty of the Tavistock is that if someone gives me money for a project today I can be working on it by the afternoon." He has the advantage, too, of being able to use an airy Hampstead flat as his office rather than being based in the grimly functional Tavistock building.

Current projects include one on the National Health Service and another on attempts to encourage energy conservation in schools. Among Heller's previous projects was an eight year study, concluded in 1983, of attempts to set up a system of employee participation at British Leyland.

Only in the past few years have devices to encourage employee participation, such as quality circles, taken root in Britain. And yet, Heller says, managers in the UK have known about them for over 30 years.

He reaches for a book on his shelf which contains a description of the setting up of quality circles in a British hosiery company. The book was published in 1952.* "What has Britain lost over these 30 years from not having picked up on these things?" he asks.

He concedes that British managers are more aware of the importance of employee participation today. He argues, however, that many companies attempt to introduce employee participation systems by buying pre-prepared packages from management consultants.

"People don't go to consultants to be told 'I don't know the answer to your problem. That will cost you £10,000.' But that would be better than spending £60,000 on a solution that doesn't work. I don't blame the consultants for that. I blame the purchasers who buy the wrong packages.

"The packages are sold with the aid of colourful brochures, but who in the company evaluates them? They wouldn't buy machines that way. They don't employ people internally who could advise them, or, if they do, they don't pay attention to them. With one or two exceptions, British companies don't use universities to advise them the way they do in the States."

**Three Studies in Management by Jerome F. Scott and R.P.Lynton, Routledge and Kegan Paul 1952.*

Corporate reorganisation

A quest for devolution

British Rail believes that it is succeeding with its drive to replace a hierarchical structure with a matrix system of control. Jimmy Burns reports

Trevor Toolan, managing director personnel at British Rail believes he is helping create something akin to a revolution.

"When we first started talking about it . . . the view was that we couldn't do it. Actually what's happened is that we've taken to it with a vengeance," he says.

The "it" in question is arguably BR's most ambitious corporate reorganisation since the nationalisation of the railways in 1948. The aim today, however, is rather different from what it was then: the transformation of a once top-heavy, loss-making public corporation into a profitable market-led business capable of standing on its own two feet without the support of government.

One of the main planks of the reorganisation has been the speeding up of a management restructuring. This began in the late 1970s with the abolition of the second tier "divisional" management and its replacement by a tightly-knit chain of command involving regional and area managers.

The restructuring continued to develop in the early 1980s with the creation of five business sectors: intercity, network south-east and provincial passenger services, freight and parcels.

Now it involves further devolution of responsibility to area and subsectors including "self-accounting units" each with clear performance targets and a large measure of autonomy in marketing policy and staff organisation.

BR claims that the success of this move away from managing a traditional hierarchical organisation to managing a matrix was instrumental in helping the board last year record its best results in its 25 year corporate history.

Toolan admits that the success of the reorganisation has not yet proved uniform. The administrative overheads incurred by various departments at BR's headquarters along the Euston Road, in London, is one area which has "so far escaped" the revolution.

By contrast BR's restructured legal department and new streamlined subsectors in manufacturing and maintenance, together with the new Anglia Region — formerly part of Eastern Region and set up with no net increase in administrative staff — are held up as examples of success.

"We had become increasingly conscious of the extent to which managers within BR seemed relatively powerless to take simple decisions affecting resources. We have tried to change that so as to give individual managers a greater sense of responsibility and this has had an impact on the efficiency of a particular unit," says Toolan.

Also key to BR's reorganisation has been the introduction of more flexible forms of pay which it expects to follow up towards the end of this year with further far-reaching changes to the collective bargaining arrangements covering its 130,000 staff.

Merit money has, since 1981, been paid to all managerial grades as a supplement to negotiated pay increases linked to the cost-of-living index. But from July, middle managers within the organisation will receive no pay increases other than those based on merit, and Toolan hints that the system is likely to spread among lower grades in the medium term.

The widening scope of performance pay is viewed with great suspicion by the unions. Although its own members voted to accept individual contracts based on performance pay, the white collar rail union, the Transport Salaried Staffs' Association, sees the new system as potentially divisive and counter-productive.

Toolan, however, denies that BR's intention is to ensure that middle managers and other members of staff have no future role in negotiating either the criteria for the awards or the level of increments.

Each middle manager will have the opportunity to discuss both his job and performance at a meeting with his superior every six months and before his annual assessment to which pay is tied. If he disagrees with his assessment he can appeal to an "over-manager".

"What we want to create is a race in which there are only winners, not winners and losers. That's why we think it is important that the assessment should be a two-way process," says Toolan.

Trevor Toolan: creating a revolution

The extent to which innovative forms of pay can spread wider through BR's organisation in the coming year is likely to depend on the outcome of senior management's efforts to simplify the existing bargaining machinery which dates back to the 1950s.

Here the aim is that bargaining procedures, now organised around rail "regions" should be reformed to reflect more closely the five business sectors of the industry.

In this, as in much of the management philosophy guiding BR's present plans, there appears to be a reflection of Toolan's own track record in the motor industry in the late 1970s and his more recent experience at Land Rover UK where he played a leading role in the company's rationalisation.

"Those were two decades of quite varied experience during which I was to witness much of the industry being torn apart by defective pay systems and managers surrendering their right to manage . . ."

Toolan will not identify the numerous outside consultants advising him on BR's reorganisation. But he is prepared to mention companies which may have had an influence on corporate thinking.

The companies include Metal Box, the UK packaging and printing company, which last July announced an innovative four-year pay and conditions deal as part of a radical restructuring of relations with staff and unions at one of its plants.

One of the ideas introduced by the company is single status conditions of employment for all staff below managerial grade with the aim of developing a multi-skilled workforce and eradicating overtime.

Another company which Toolan would like BR to emulate is Rank Xerox. "The company faced tremendous competition from the Japanese but has succeeded in clawing back its market share thanks to improving customer service."

He also mentions Aer Lingus as a public company which has demonstrated an ability to compete and produce successful results.

Publicity surrounding recent rail disasters in the UK prompts Toolan to add a rider to his generally bubbly assessment. "The extent to which we devolve responsibility and allow each manager to pursue his objectives will always have to be subjugated to a concern throughout the railways with safety and that is the responsibility of the board."

Such a view is challenged by the unions — as is much of the ethos behind BR's new style "business management." They argue that safety and effective communication with the shopfloor has been sacrificed. They also argue that customer service has suffered as a result of a 5 per cent reduction last year in the number of staff and a relentless push for profits.

The unions remain deeply suspicious of other aspects of BR's reorganisation, each step of which appears to undermine their influence on the pay and conditions of staff.

Toolan denies that he is hell-bent on breaking the unions within BR. "I find it impossible to imagine that in Great Britain we would ever see the end of trade unions . . . I think the rail unions have shown evidence that they can co-operate," he says.

And yet his apparent determination to push through change once consultation had failed to generate agreement could mean a less than peaceful revolution in the months ahead.

FT LAW REPORTS

Determination of issue is a 'trial'

TATE AND LYLE INDUSTRIES LTD v DAVY MCKEE (LONDON)LTD
Queen's Bench Division (Commercial Court): Mr Justice Hirst: December 21 1988

THE COMMERCIAL Court's practice of transferring applications for leave to appeal from a building arbitrator to the Official Referee's Court is within its powers if determination of the issue by an official referee is desirable on grounds of expedition, economy, convenience or otherwise.

Mr Justice Hirst so held when refusing an application by Tate and Lyle Industries Ltd, for a new hearing of its application for leave to appeal from an arbitration award made in favour of Davy McKee (London) Ltd.

Order 36 rule 1 of the Rules of the Supreme Court provides: "(2) . . . official referee's business includes . . . any cause or matter commenced in the Chancery Division or Queen's Bench Division . . . (b) for which trial by an official referee is desirable in the interests of one or more of the parties on grounds of expedition, economy or convenience or otherwise."

HIS LORDSHIP said that on November 18 1987 an interim award was made in an arbitration between Tate and Lyle as claimant and Davy McKee as respondent, concerning construction or reconstruction of plant in the sugar-refining industry.

The amount at stake exceeded £3m.

Tate and Lyle issued a summons for leave to appeal in the Commercial Court. On February 5 1988 the court made an order transferring the summons to the Official Referee's Court. Judge Hawser heard the application and refused leave to appeal.

Tate and Lyle now alleged that the order for transfer was *ultra vires*, and that Judge Hawser's decision was a nullity. It asked the court to re-list the summons in the Commercial Court for hearing *de novo*.

RSC Order 73 rules 3 and 6 provided that an application for leave to appeal from an arbitrator's award should be made to a commercial judge "unless he otherwise directs."

The powers of official referees were laid down by RSC Order 36 rules 1 and rule 4.

By rule 1 their business included any cause or matter for which trial by an official referee was desirable. By rule 4(1) the official referee to whom the business was referred had the same powers as a judge.

RSC note number 36/1-9/10 described a trial before an official referee as "a trial in the High Court . . . notwithstanding that the official referees are nominated circuit judges."

Mr Gardam for Tate and Lyle submitted that an official referee could only exercise High Court jurisdiction when either (i) he was requested by the Lord Chancellor under section 9 of the Supreme Court Act 1981 to sit as a High Court judge (which did not apply in the present case); or (ii) when he was conducting official referee's business as defined by Order 36 rule 1.

He submitted that the procedure for grant or refusal of leave to appeal from an arbitrator on a point of law, in the exercise of the court's discretion, could not constitute a "trial" within Order 36 rule 1(b).

Mr Keating for Davy McKee submitted that Order 36 rule 1 should be accorded a broad construction in the light of the word "includes" and that "trial" extended to any determination which decided a point at issue.

He said the application therefore fell within sub-rule (b) on the ground that trial by an official referee was desirable in the interests of expedition, economy or convenience.

The first question was whether the proceeding was a "cause or matter" for which trial by an official referee was desirable for the reasons given.

The words were very wide and fully apt to cover an application for leave to appeal against the decision of an arbitrator.

In that context, therefore, "trial" did not bear the narrow connotation sought by Mr Gardam, but was synonymous with "determination."

Thus, even without recourse to "includes" the present application for leave to appeal was official referee's business, since trial or determination by an official referee was desirable in the interests described in the sub-rule.

That view was reinforced by the use of "includes," which showed that Order 36 rule 1 was not to be restrictively interpreted.

Once it was held that the cause or matter was properly to be treated as official referee's business, Mr Gardam did not dispute that, by virtue of order 36 rule 4(1), the official referee had the powers of a High Court judge.

It followed that the Commercial Court, pursuant to its power to direct that such an application be heard otherwise than by a commercial judge, had power in construction industry or building cases like the present to direct that it be heard by an official referee.

The application for a new hearing was dismissed.

For Tate and Lyle: David Gardam QC and Nicholas Padfield (Simmons & Simmons).

For Davy McKee: Donald Keating QC and Rupert Jackson(Masons).

Correction: In Re Walter Jacob & Co Ltd (FT January 20), appearances for the Official Receiver were Roger Kaye (Booth & Blackwell).

Rachel Davies
Barrister

THE DAILY TELEGRAPH, WEDNESDAY, JANUARY 25, 1989 7

Whitehall to cut phone bills by using Mercury

By David Millward, Political Staff

THE GOVERNMENT is expected to cut its £230 million annual phone bill substantially by switching half the lines within the "Whitehall village" from British Telecom to Mercury, the rival telecommunications company which has won a series of contracts over the past five years by undercutting BT.

Mercury is already responsible for about half the Government's long-distance lines.

There are 35,000 handsets in Whitehall, defined by the Government's telephone managers as its offices within a mile of Big Ben.

Apart from being cheaper, Mercury's bills include a detailed list of calls made, permitting further economies by discouraging personal phone calls.

But even without the switch to Mercury, the Government could save more if departments throughout the country logged their calls and checked their bills from British Telecom, Mr John Bourn, the Comptroller and Auditor General, said yesterday.

Mr Bourn, who acts as the Government's accountant and financial watchdog, told MPs that Whitehall's record in controlling costs was patchy. Some departments kept a much tighter rein than others on phone bills.

Pilot logging schemes, designed to discourage civil servants from using phones for personal calls, achieved dramatic savings, Mr Bourn noted.

Where logging had been installed, savings varied considerably.

DSS headquarters in London, for instance, cut its bill by £41,000 a year after logging equipment was introduced.

DSS headquarters in Fylde, Lancashire saved £70,000 a year.

The DSS in Newcastle saved £190,000 over two years and Customs and Excise in Southend saved £74,000 a year.

Mr Bourn said that the seven departments he examined could save the taxpayer £3 million a year if they logged all their calls.

Not only were departments slow in taking action to cut back the number of personal calls made by staff, they were failing to take action to prevent overcharging by British Telecom.

"Major advances in the control of the several tens of thousands of millions of pounds spent annually by departments on British Telecom call charges will only be possible when call logging is extended and British Telecom issue itemised bills," Mr Bourn said.

The change to Mercury, which is planned over the next two years, could be reviewed if British Telecom's charges become more competitive.

National Audit Office, Report By Comptroller and Auditor General, Management of Administrative Telecommunications. HMSO £4·10 net.

Peter,
What are we doing about our Phone Bills?
- Gordon.

FOR A VERY CIVIL SERVICE CALL US ON 0800 424 194

Mercury COMMUNICATIONS

MERCURY COMMUNICATIONS IS A MEMBER OF THE CABLE AND WIRELESS WORLDWIDE COMMUNICATIONS GROUP

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
27	28	29	30	31	1	2

THEATRE

London

Single Spies (Lyttelton). Marvellously entertaining new Alan Bennett plays about Guy Burgess and Anthony Blunt, with Simon Callow and the author. Prunella Scales joins in as Her Majesty the Queen. In National Theatre repertoire until February 4 before transferring to West End (928 2252).

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year. Feb 8-11, 24, 25, 27, March 9-15, March 25, 27 (928 2252, cc 240 7200).

The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). Feb 13-16, March 1-4.

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).

Mrs Klein (Apollo). Intriguing chat among the child psychoanalysts in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2663, cc 379 4444).

Orpheus Descending (Haymarket). Triumphant debut for the Peter Hall Company with Vanessa Redgrave candescently sensual and Italianate in atmospheric restoration of Tennessee Williams's last indisputably major play (930 9832).

Henceforward (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).
Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).
The Piano Lesson (Goodman). Prolific August Wilson continues his exploration of the American black in history with a play, set in 1936, about a family's arguments set round an elaborately carved heirloom piano. Ends Feb 11 (443 3800).

Tokyo

Noh (National Noh Theatre). A double bill consisting of the famous noh play, Aoi no Ue (Lady Aoi), and a comic interlude (kyogen). Japan's most esoteric art form is not to everyone's taste, but should be experienced at least once by everyone who wants to discover why Japan will never become a "Western" nation. (Wed at 1pm) (423 1331). (Most other Noh theatres are open at weekends only. Check local press for details.)
Carmen (Aoyama Theatre). Musical (in Japanese) based on the opera, but which follows Merimée's novella more closely than Bizet did. The aim, according to director Mike Ashman of the Royal Opera House, Covent Garden, is to put back "the sex and violence". Stars Mao Daichi who, unlike most Carmens, can dance as well as sing. (591 1711).

MUSIC

London

Inti Illimani with Paco Peña and John Williams (guitar). Flamenco, classical solos and music from South America combining the talents of the great Chilean group and two of the world's top guitarists.
John Ogdon (piano). Rachmaninov, Beethoven. Wigmore Hall (Sun afternoon) (935 2141)
Music from the Flames. Third and fourth concerts in series by the Brodsky String Quartet, featuring the complete Shostakovich quartets. Queen Elizabeth Hall (Mon, Wed) (928 8800)
Cécile Ousset (piano). Mozart, Beethoven, Fauré, Ravel. Royal Naval College Chapel, Greenwich (Wed) (317 8687)

Paris

Ensemble Intercontemporain conducted by Hans Zender, with Elizabeth Laurence (mezzo-soprano), Alain Neveux (piano). Schnebel, Hidalgo, Zender, Reger. Théâtre Renaud-Barrault (Mon) (42 56 08 80).
Trio Tchaikovsky. Schubert, Rachmaninov. Salle Gaveau (Tue) (45 63 20 30).
Orchestre de Paris conducted by Daniel Barenboim; Orchestre de Paris choir conducted by Arthur Oldham. Berlioz's The Damnation of Faust. Salle Pleyel (Thur) (45 63 07 96).
Orchestre National de France conducted by Rudolf Barshai, with Franco Gulli (violin). Stravinsky, Mozart, Shostakovitch. Théâtre des Champs Elysées (Thur) (47 20 36 37).

Vienna

Austrian State Radio and Television Orchestra and the Arnold Schoenberg Choir conducted by Michael Gielen. Brahms, Schoenberg, Zemlinsky. Musikverein (Fri).
Wiener Symphoniker conducted by Christoph Eschenbach. Beethoven, Haydn, Brahms. Musikverein (Sun).
Wiener Kammerorchester conducted by Gunther Pichler. Webern, Haydn, Schubert. Konzerthaus (Sun, Tues).
Philharmonische Solisten Berlin. Boccherini, Reger, Romberg, Mozart, Beethoven. Musikverein (Sun).
Clemencic Consort conducted by René Clemencic. Musikverein (Mon).
Atlantis Trio Wien. Erod, Dvorak. Austrian Radio and Television Centre (Tues).

Frankfurt

Hot Jazz Meeting 89 with Terry Gibbs and The Woody Hermann All Stars, Mr Acker Bilk's Paramount Jazzband, Jazzbandball Orchestra, NDR Big Band with Etta Cameron and Munster's Old Merry Tale Jazzband. Alte Oper, Grosser Saal (Sat).

Munich

Munich Philharmonic Orchestra conducted by Sergiu Celibidache. Bach, Shostakovitch. Philharmonie im Gasteig (Thurs).

Berlin

Berlin Philharmonic Orchestra with Katia and Marielle Labeque (piano), conducted by Semyon Bychkov. Schnittke, Mozart and Tchaikovsky. Berlin Philharmonie (Tues, Wed).

Rome

Heinz Holliger conducting the wind section of the Chamber Orchestra of Europe. Berg and Schoenberg with Oleg Maisenberg (piano) and Thomas Zehetmair (violin) (Fri).

Aleksandr Lazarev conducting Tchaikovsky's Suite No. 3 in G Major and Rachmaninov's Aleko, with Galina Kalinina (soprano), Tamara Sinjavkaja (mezzo-soprano), Aleksandr Fedin (tenor) and Evgenij Nesterenko (bass) (Sun, Mon, Tue). Auditorium in Via della Conciliazione (654 1044).
Massimo Quarta (violin), with Marianna Brissacchi (piano). Mozart, Schumann, Ravel and Paganini. Oratorio del Gonfalone (Vicolo della Scimia 1/br) (Thur) (687 5952).

Milan

Seiji Ozawa conducts Beethoven, Bela Bartok. Teatro alla Scala (Mon) (80 91 26).

Florence

Grzegorz Novak conducts young Polish pianist Kristian Zimerman with three works by Beethoven: Leonora overture No. 1 and Piano Concertos Nos. 1 and 3. Teatro Comunale (Fri, Sat and Sun) (277 9236).

Amsterdam

Hague Philharmonic conducted by Alain Lombard, with Dmitri Sitkovetsky (violin). Prokofiev, Stravinsky.
Radio Symphony Orchestra conducted by Kenneth Montgomery, with Monserrat Caballe (soprano) and Giacomo Aragall (tenor). (Sun) (718 245).
Royal Concertgebouw Orchestra conducted by Claus Peter Flor, with Natalia Gutman ('cello). Prokofiev, Schnittke. Concertgebouw (Thur). (718 345).

Rotterdam

State Chamber Orchestra of the Soviet Union conducted by Victor Tretyakov. Vivaldi, Rossini, Shostakovich, Haydn. Doelen (Mon).

New York

New York Philharmonic conducted by Hugh Wolff, with Peter Serkin (piano). Bernstein, Ravel, Berlioz. Avery Fisher Hall, Lincoln Center (Wed, Thur) (799 9595)
Yo To Ma 'cello recital with Emmanuel Ax (piano). Stravinsky, Brahms, Chopin. Carnegie Hall (Tue) (247 7800).
Andrew Rangell piano recital. Beethoven programme. Kaufmann Hall (Wed) (427 6000).
Juilliard Concerts. The 60s Revisited features works performed by Juilliard students illustrating the theme A Decade of Ferment, as demonstrated by composers Stefan Wolpe, Henry Cowell, Milton Babbitt, John Cage, George Crumb, Lou Harrison, Miriam Gideon, Charles Wuourien, Robert Erickson, Gyorgy Ligeti, David Diamond and Leon Kirchner. Free but tickets required. Juilliard Theatre, Lincoln Center (Wed, Thur) (799 5000).
Carol Webber soprano recital with Philip Highfall (piano). Copland, Prokofiev, Poulenc, Granados. Kaufmann Hall (Thur) (427 6000).

Washington

Philadelphia Orchestra conducted by Riccardo Muti, with Bruno Canino and Antonio Ballista (piano duo). Mozart, Bartok, Stravinsky, Ravel. Kennedy Center Concert Hall (Mon) (254 3776).

Chicago

Chicago Symphony Orchestra conducted by Sir Georg Solti, with Jay Friedman (trombone). Zwilich, Shostakovich. Orchestra Hall (Tue) (435 6666)

Tokyo

Yomiuri Nippon Symphony Orchestra conducted by Miklos Erdelyi. Rachmaninov, Tchaikovsky. Suntory Hall (Tues) (270 6191).
Shinsei Nihon Symphony Orchestra conducted by Kazuo Yamada. Kreisler, Chopin, Wagner, Dvorak. Suntory Hall (Wed) (505 1010).
Amsterdam Bach Soloists. Bach. Tokyo Cathedral (Wed); Kan'i Hoken Hall, Gotanda (Thurs) (795 4488).

OPERA AND BALLET

London

Royal Opera, Covent Garden. Further performances of Nuria Espert's production of Madama Butterfly, new earlier this season. Yoko Watanabe, Mario Malagnini, Thomas Allen and Anne Mason take over the leading roles, and Mark Ermler conducts.
English National Opera, Coliseum. First British performances of Aribert Reimann's Shakespeare adaptation, Lear, a 1970s opera already seen throughout mainland Europe and in the US. Monte Jaffe takes the title role, the cast includes Phyllis Cannon, Rosa Mannion, Nigel Douglas, and Rodney Macann, and the conductor is Paul Daniel. The production is borrowed from Krefeld. The 1977 production of La Bohème is revived with an uneven cast headed by Rosamund Illing, David Rendall, Anthony Michaels-Moore, and Nancy Gustafson. Further performances of The Mikado in Jonathan Miller's sparkling updating.
Royal Ballet presents Romeo and Juliet. Covent Garden (Fri, Mon, Tue).

Paris

Opéra Comique. Jean Baptiste Lully's Atys. The Grand Siècle in all its splendour; received the Grand Prix de la Critique in 1987. Salle Favart (bookings 47 42 53 71. info 47 42 57 50).
Paris Opéa. Wagner's Die Meistersinger von Nürnberg conducted by Lothar Zagrosek. The Hamburg Staatsoper production begins at 6 pm and lasts for approximatively 5¼ (47 42 53 71).
Châtelet. Ballet Antonio Gades to Manuel de Falla's music dance El Amor Brujo (40 28 28 28).
Grande Halle de la Villette. Chopinot et Kok: modern dance with a boxing theme, to music by Wagner, Ravel and Verdi (48 05 10 10).

Vienna

Staatsoper. In repertory: Chowanschtschina (premiere) conducted by Claudio Abbado, with Brigitte Poschner-Klebel, Joanna Borowska, Wladimir Atlantov. Cavalleria Rusticana conducted by Garcia Navarro with Gwyneth Jones, Wladimir Atlantow, Georg Tichy, Matteo Manuguerra. Pagliacci conducted by Garcia Navarro and sung by Patgricia Wisl, Nicolai Ghiaurov, Matteo Manuguerra. Pagliacci conducted by Garcia Navarro, with Patgricia Wise, Nicolai Ghiaurov, Matteo Manuguerra. Iphigenie en Aulide conducted by Sir Charles Mackerras, with Gundula Janowitz, Joanna Borowska, Noriko Sasaki. Ballet: Dream Dances, conducted by Ulf Schirmer and Les Noces, conducted by Ernst Maerzendorfer(51444, ext. 2660).
Volksoper. In repertory: Die Fledermaus; Der Freischutz; Der Fremdenführer; Das Land des Lächelns; Mignon; Don Giovanni; Ein Walzertraum (51444, ext. 2662).

Berlin

Opera. The fine Götz Friedrich production of La Bohème features Catherine Malfitano, Gwendolyn Bradley, Antonio Ordonez and Andreas Schmidt. Die Zauberharfe is well conducted by Heinrich Hollreiser. Fidelio features Spas Wenkoff, Barbara Vogel and Kurt Moll. Notre Dame de Paris, choreographed by Roland Petit, rounds off the week.

Cologne

Opera. Der *Rosenkavalier* returns in the wonderful Michael Hampe production with Felicity Lott, Gunter von Kannen, Teresa Ringholz and Wasilli Janulako.

Frankfurt

Opera. John Cage's Opera Europeras 1&2 returns with Marianne Rorholm, Michal Shamir, Margit Neubauer and others. Also offered: Le Nozze di Figaro with Edith Mathis, Michal Shamir, Bodo Schwanbeck; and William Forsythe's ballet Isabelle's Dance.

Stuttgart

Opera. Cav and Pag has a first-rate cast led by Eva Randova, Angela Maria Blasi, Grace Hoffmann, Francisco Lazaro and Jörn W. Wilsing. Satyagraha by Philip Glass returns. Further performances of Die Entführung aus dem Serail and Dornröschen.

Bonn

Opera. Tannhäuser,produced by Jean-Claude Riber with a star cast led by Grace Bumbry has its premiere this week. Also the ultra modern production of Die Fledermaus by Bernard Broka.

Rome

Teatro dell'Opera. Cimarosa's Gli Orazi e i Curiazi conducted by Alan Curtis, with Gianna Rolandi, Anna Caterina Antonacci, Patrizia Dordi and Franco Farina (Thur) (46.17.55.).
Teatro Olimpico. Highlight of the British month event, organised by the British Council and the *Accademia Filarmonica*, and funded by ICI, is Benjamin Britten's only comic opera Albert Herring. It is performed by the Glyndebourne Touring Company, on its first visit to Italy, and conducted by Graeme Jenkins. The production is by Christopher Newell, based on Peter Hall's original, and the cast includes Pauline Tinsely as the dominating Lady Billows, Susan Bickley as Florence,and John Graham-Hall in the title role. (Wed) (393304).

Milan

Teatro alla Scala. Luca Ronconi's production of Weber's romantic opera Oberon, a mixture of Shakespeare, Ariosto and the Arabian Nights, with sets by Margherita Palli (the production requires 43 scene changes) and costumes by Vera Marzot. The cast, performing in five languages, includes Philip Langridge (alternating with Manfred Fink), Michael Pabst (alternating with Paul Frey), Michael Ebbeke and Elizabeth Connell (alternating with Ingrid Haubold) and Trudelise Schmidt (80 91 26).

Naples

Teatro San Carlo. Mauro Bolognini's production of Puccini's Madame Butterfly with Olivia Stapp, Elena Mauti Nunziata, Eleonora Jankovitch, Nazarena Antinori and Giovanni de Angelis, conducted by Bruno Moretti (797 2412).

New York

BAM Opera. The Welsh National Opera inaugurates the new BAM Opera with Peter Stein's celebrated production *of Falstaff*, with Richard Armstrong conducting the US debuts of the WNO and Peter Stein. Brooklyn Academy of Music (307 7171).
Metropolitan Opera House, Lincoln Center. Bluebeard's Castle continues with Jessye Norman as Judith and Samuel Ramey in the title role, sharing the bill with the monodrama Ewartung where Jessye Norman sings the Woman. James Levine conducts both, as well as Don Carlo with Neil Shicoff in the title role, Margaret Price as Elisabetta, Tatiana Troyanos as Eboli and Bernd Weikl as Rodrigo. The week also features the last performances of Die Fleidermaus with Barbara Daniels as Rosalinde, Helga Dernesch as Prince Orlofsky and Allan Glassman as Alfred; and Aïda with Aprile Millo in the title role, with Vladimir Popov as Ramades and Alain Fondary as Amonasro, conducted by Christian Badea (362 6000).
Ruddigore City Center. The New Sadler's Wells Company, conducted by Joseph Karaviotis, features Harold Innocent in this week of performances of Gilbert and Sullivan's castle-bound melodrama (581 7907).
New York City Ballet, State Theatre, Lincoln Center. The 40th anniversary season continues with 26 works by George Balanchine, nine by Jerome Robbins and five by Peter Martins. In addition, works by Laura Dean, Eliot Feld, William Forsythe, Lar Lubovich, commissioned for this season, will be interspersed in the season, which ends Feb 26 (496 0600).

Washington

Washington Opera, Eisenhower Theater, Kennedy Center. Paul Lustig Dunkel conducts Albert Takazauckas's production of The Postman Always Rings Twice, Stephen Paulus's 1982 adaptation of James M. Cain's novel of passion and violence. Pamela South is Cora and Timothy Nolen sings Frank in this Washington premiere. Theodore Baerg continues as Figaro and Ruth Ann Swenson as Rosina in The Barber of Seville, as directed by Leon Major and conducted by Joseph Rescigno (254 3776)
Pennsylvania/Milwaukee Ballet. A week-long visit features mixed programmes from this highly regarded regional company. Kennedy Center Opera House. Ends Feb 5 (254 3770)

Chicago

Lyric Opera, Civic Opera House. The company's last week of the season features John Copley's production of Tancredi with Marilyn Horne in the title role, Chris Merritt as Argirio and Jan Galla as Orbazzano, conducted by Bruno Bartoletti (332 2244).

Continued on Page 15

Two studies of an eagle's head by Perino del Vaga

Chatsworth's hidden drawings

Susan Moore at the Fitzwilliam Museum, Cambridge

After two substantial exhibitions, and two depleting sales, it might have seemed that there were no great Old Master drawings at Chatsworth that remained unnoticed. Not so. A further selection from this celebrated private collection has come to the Fitzwilliam Museum, Cambridge (until March 19), after an American tour organised by the Virginia-based International Exhibitions Foundation. Its quality and range are breathtaking.

The 124 drawings were chosen by the Fitzwilliam's director, Professor Michael Jaffé (who is currently preparing a full catalogue of the collection). His focus here is the 16th and 17th centuries, and those areas of Italian, Flemish, Dutch, German and French draughtsmanship left largely unexploited by the two previous curators, the formidably distinguished A.E. Popham and James Byam Shaw.

The collection, amassed largely by William Cavendish, 2nd Duke of Devonshire (1672-1739) can still boast four Leonardo grotesques, three drawings by Raphael, and a group of Rembrandt landscapes. There would have been more Raphaels had not Sir Thomas Lawrence managed to persuade the 6th Duke to part with three studies for "The Transfiguration" in return for a portrait of George IV.

These major sheets are justly celebrated, even if exhibited for the first time. Others have been overlooked, such as Hans Rottenhammer's "Diana and her Nymphs Bathing," or wrongly attributed, like Annibale Carracci's stunning modello for the Assumption altarpiece now in Dresden. It is the first time since the 18th century that Domenichino's beautiful, two-sided cartoon has left the house.

Some of the loveliest drawings are not by the most distinguished hands: a spectacular St Christopher carrying the Christ Child by the Bolognese artist *Pietro Faccini*; a surprisingly beautiful red chalk drawing of Andromeda chained to the rock by Il Cavaliere d'Arpino; and an intense red chalk head of a man by Giovanni Agostino da Lodi.

Some of the more arresting images are designs. None is more fantastical than Guilio Romano's design for a metal platter in which all manner of fish is compelled around a vortex into Oceana's gaping mouth at its centre. An elongated oval drawing of St Paul being lowered in a basket, by Perino del Vaga, is a design for a panel of embroidery on the cope of Paul III.

Given the predelictions of Popham and Byam Shaw – and, indeed, Professor Jaffé – it is unsurprising that so many of the finest exhibits in this third show are drawn from the Northern schools. The transition north of the Alps is made with Jan Bruegel the Elder's copy of Matthijs Bril's "The Arch of Septimius Severus, in Rome."

Rubens and Van Dyck are generously represented, the latter most impressively by a fine half-length portrait of the history painter Jan Snellincx, and a sheet of hand studies of consummate sensitivity.

There are still enough of Rembrandt's inimitable Amstel landscapes to line one wall, despite the sale of a dozen sheets in 1984 and 1987. The Chatsworth Saint Nicholas of Bari has been elevated from copy to an original Hans Baldung Grien.

Landscapes by Claude, Poussin and their compatriots, close the show on a lyrical note. Despite the damage inflicted by prolonged exposure to light – when the 6th Duke hung drawings in the Sketch Gallery – Claude's romantic landscape with Roman ruins, "A Walled City and a river Valley," remains one of his most evocative images.

Professor Jaffé's catalogue entries are crisp and scholarly. The catalogue design, undeniably handsome, cannot claim comparable clarity; the drawings tend to be reproduced to a *scale that* belies their actual or relative sizes.

Speed-the-Plow

LYTTELTON THEATRE

This is the David Mamet play seen on Broadway last year with Madonna as the temporary secretary caught in the crossfire between two new youngish executive Hollywood Turks. Some reports suggested she held up the play, others she was just Madonna out of her depth.

My first reaction to the National Theatre version, directed by Mamet's longtime associate Gregory Mosher, is that depth is not anything Madonna could have been out of in this play.

By the very high standards he has set himself in what Robert Brustein has memorably identified as the tragic joy of *American Buffalo* and *Glengarry Glen Ross*, *Speed-the-Plow* is thinly textured and slight.

At the National, two of the performers are miscast, and the design and lighting, by Michael Merritt and Kevin Rigdon, are poor. The settings are of cheap-looking art deco fawn fuzz, with mottled glass screens, and random signs of redecoration – blotches of paint, a step-ladder. But there seem always to be acres of space, dead patches, muzzy long shadows and black spots.

It is a tale of Tinsel Town, of sudden power, sudden lust, sudden betrayal and swift adjustment. At its heart lies the great American entertainment industry paranoia over Art versus Money. "Is it a good film?" the secretary asks. "I admire you for not being ashamed to ask the question", replies Bobby Gould, the newly installed Head of Productions. Charlie Fox, his sidekick of 11 years standing and grovelling, has brought him a prison movie outline with sex, violence and high buddy content by a feted writer who has crossed the street.

Before this project goes straight to the unseen Head of the Studio, Karen, the secretary, challenges Bobby's explanation of the "courtesy read" procedure for unwanted wimpish "artsy" ideas based on cissie Eastern novels. She latches on to one about radiation, the loss of love and the End of the World. She is asked to report on it and to go to Bobby's house that night. Bobby has bet with Charlie that he can roll her in his duvet.

In the second of three short acts, Bobby and Karen kick around the radiation book over drinks. In the third act, bet collected, Bobby has dropped the prison project and plans to propose the radiation film. Charlie rallies and saves the day, Karen goes. Another nail is banged in the coffin of art, good intentions, open-eyed delusions that the world might be changed by decent behaviour and honest work.

These themes are interesting, but not that interesting. The great thing about Mamet is his energy and sense of danger, his use of demotic slang and specialised jargon to convey a sense of crisis on stage. He does this while being riotously funny, but the trick only works sporadically in this production, and only when Alfred Molina is on stage as Charlie. I hope the NT sign up Molina for a long sentence on the South Bank. He is a wonderfully vital and appealing actor who sets about Mamet's cascading rhythms and stylistic switchbacks with a real physical vengeance and faultless technique.

The Bobby Gould of Colin Stinton and the Karen of Rebecca Pidgeon, yet another woefully inexperienced NT recruit, are stiff and manufactured in comparison. Mamet is nothing if not a sexy writer, and his spiralling speeches, fast riffs and spats need to be ridden with tenacity and panache.

Stinton is fast and organised, but he disappears when not talking. Blockish and dour, he signals like an automaton and is an implausible oozer of sexual charm, the odour of power. Pidgeon never really lets us know what she thinks, but concentrates on speaking very clearly. Ambiguity over the qualities of the awful radiation novel is permissible. But this girl is a go-getter moving too fast for her own good. She is found out by Charlie, then makes a mistake. None of this is invested with any tension or grit.

The overall impact is of a random flimsiness, and not of the greasily rampageous jungle warfare initiated on other Mamet occasions.

Michael Coveney

Colin Stinton and Alfred Molina

Alastair Muir

Rosemary Butcher

ICA GALLERY

Members of Rosemary Butcher's supporters club make much of her supposed individuality and "independance," words which hardly convey the fragmentary and tedious nature of her dances. Initiating a season in the Mall having to do with "Performance, Myth and Ritual" – more words which need re-defining as ICA-speak – Miss Butcher has staged *After the Crying and the Shouting*. The programme sheet, an over-designed document rich in quotations, and needing to be rotated to be read, utters warnings about the loss of natural resources and, insufferably, invokes the carnage of World War One.

Miss Butcher's six dancers – 4f,2m – trudge glumly about, working and re-working fragments of movement, taking up what used to be called *poses plastiques*, and generally worrying wan little dance ideas like a terrier with an old slipper. It is as if they were caught in some Sixties time-warp, reproducing the extinguishingly dull activities of such period bores as Yvonne Rainer. Like the dance experimentalists of the Sixties, Miss Butcher is busy re-inventing the wheel, proposing the mundane as "movement," but giving her activity a currently modish ecological message – nowhere apparent in the dance – about a landscape "under threat." This may, indeed, be the first Green choreography, and is probably bio-degradable. But the greater threat is to the tradition of choreography as an art form expressive, exact, *beautiful*.

Miss Butcher's dance is very solemn, astonishingly slow, and her performers have the theatrical vivacity of automata, wearing that scrubbed and innocent look I associate with amateurs striving in a Good Cause. An additional hazard to the evening is a sentimental and minimalist score by Wim Mertens, sickly phrases churning round and round. And round.

What merits the show boasts have to do with the light installation by Ron Haselden. Above the dance area, a skeletal frame bears hundreds of tiny winking lights. These look at first rather mere as decoration, though I much enjoyed a small frame containing red light-shapes which twittered and appeared to jump about like mysterious birds in a cage. The final descent of the light-bearing diodes among the *dancers, like fire-flies or falling* stars, was magical, and suddenly brought a sense of theatre to this home-spun exercise. For the converted only.

Clement Crisp

Strauss and Mozart

FESTIVAL HALL

With the organ in full cry and an extra posse of a dozen trumpets, the *Festival Prelude* by Richard Strauss set the latest of London's musical series off to a raucous start. One of the benefits of the current pre-occupation for arranging concerts in themes is that it allows the musical directors of the London orchestras to indulge their specialities, as Tilson Thomas has with Gershwin or Ashkenazy with Shostakovich.

And so it is likely to prove in this case too, as Strauss and Mozart have long been composers dear to John Pritchard in the opera-house. The series of six concerts on which he is just embarking with the BBC Symphony Orchestra looks set to re-affirm how satisfying his mellow outlook and plain good sense are in the interpretation of Strauss and generally in Mozart, although on the evidence of this first concert one should not assume Pritchard's music-making will always be a known quantity.

The main Strauss work of the evening did arguably go as expected: a serious and unexaggerated account of *Don Quixote* with Timothy Hugh fully holding his own as the cello soloist, at least given the favourable balance that obtains on the radio. But the urgency with which Pritchard launched into Mozart's Prague Symphony was a welcome surprise, as was the absence of the "big-band" heaviness that one anticipates nowadays from classical composers on a conventional orchestra.

For the novelty of the evening Pritchard and the BBC had come up with a real rarity. This was Strauss's *Taillefer* – an extraordinary glorification of the battle of Hastings in the form of a vast choral ballad, whose main (only?) source of amusement for a British audience is the witless music with which Strauss sees fit to portray the victorious Normans. Even Pritchard described the score as "doubtful," a judicious choice of words.

As so often with this composer, the scale of the work is in inverse proportion to its musical inspiration. Three soloists were called for – the soprano Alison Wells, tenor Ian Caley and baritone Neil Howlett – and on this occasion there were no less than three choirs, with the combined forces of the BBC Singers, the BBC Symphony Chorus and the London Choral Society, all of whom no doubt enjoyed themselves enormously. More modest (and more inspired) Strauss follows next Wednesday.

Richard Fairman

Romeo and Juliet

COVENT GARDEN

Two young newcomers as Romeo and Juliet on Wednesday night brought an inevitable and charming air of innocence and tenderness to the Veronese tragedy. Viviana Durante has also a quickness of temperament that helps explain the obsessive nature of Juliet's love, so that when faced with family pressures she becomes rebellious, angry, and more than ever determined to be true to her passion. This Miss Durante brought off with a splendid fire, the character alert with feeling, the dancing in the third act cast in bright, communicative lines of emotion.

Her comparative directness is right for MacMillan's version, which, from the first, found its *motor energy in Lynn Seymour's* proud and head-strong girl. In matter of dancing Miss Durante showed her best qualities of darting, clear-pulsed movement: she was all ecstasy in the balcony duet; wraith-like yet true to herself in the arms of Paris when she finally yielded to him. A distinguished debut, in sum: the role is already hers, and will develop. Not least, I hope, in making the run to Friar Laurence even freer and more urgent: shades of Seymour (and Ulanova and Plisetskaya in the Lavrovsky staging) justifying the evening for us on this alone.

Bruce Sansom's Romeo is *socially* a cut above most of his predecessors. Not for him the usual mateyness of a roaring boy. There is an element of reserve, of good breeding, that touches every aspect of the character, and yet does not *diminish the immediacy* of his love for Juliet. Cool, perhaps, at moments, it is nonetheless a reading well-reasoned, well set out, and dramatically credible. Purity of physical diction, clarity of line, mark his dancing; and lightness of technique is matched by a simplicity of emotional means. It is a portrait very youthful, very English, and none the worse for that.

Among other casting new to me, especial praise for Guy Niblett's Tybalt. Mr Niblett, who has been seen to such advantage in roles calling for charm or decency – Giorgio in *Valley of Shadows*, the Nutcracker *Prince* – here draws an arrogant bully with unerring directness and force. The dramatic depth and intelligence of the company playing I think very fine, reflecting exactly the varied textures of Bernard Haitink's grand account of the score.

Clement Crisp

Opera in San Francisco

Josephine Barstow gave the most memorable performance in a San Francisco Opera season whose successes were largely those of individual artists. Replacing Anja Silja as Katerina Ismailova in the company's Russian-language *Lady Macbeth of Mtsensk*, Barstow gave a supremely intelligent, deeply affecting account of the title role.

Her performance anchored the season's finest ensemble effort. Also outstanding in a uniformly strong cast were Michael Devlin as a menacingly blustering Boris, William Lewis as a haltingly ineffectual Zinovy, and Jacque Trussel as the ardent, fickle Sergei. This revival of Wolfram Skalicki's production yielded the finest work in the pit to date by John Pritchard, now the company's music director.

The company's only "home-built" new production, a Nicolas Joel *Parsifal* with designs by Pet Halmen, proved little more than a hapless exercise in "Eurotrash." The stated goals of its production team were to bathe a traditionally gloomy opera in bright (fluorescent) light and to supplant its nature. But, as the team seemed less certain what the opera is about than what it is not about, one of the richest operatic experiences available evaporated into high kitsch.

The sets for the outer acts did not suggest the Grail Forest and Temple so much as the holiday windows in an expensive *parfumerie*. Ironically, the attempts to balance the Christian symbols with those of other religious traditions did little more than prove how central Christian symbolism is to this drama.

Klingsor's eminence, a huge black skull flown in from above stage, yielded little beyond an understandably shaky performance from an acrophobic Walter Berry. Kundry's second-act entrance, on a red peacock bed one-third the size of the stage, similarly inhibited the seduction efforts of the radiantly beautiful Waltraud Meier.

Throughout, the efforts of the finest *Parsifal* cast imaginable today (Rene Kollo as Parsifal, Jorma Hynninen as Amfortas, and Kurt Moll as Gurnemanz) were undercut by ridiculous costumes, a lack of clarity in Joel's direction, and fitful, uncertain conducting by Pritchard.

The season was framed by appearances by both Placido Domingo and Luciano Pavarotti, in performances of Meyerbeer's *L'Africaine* and *La Bohème*, respectively. The fact that both productions were videotaped for forthcoming telecasts lent lustre to the productions. The performances, by and large, did not.

L'Africaine, last seen here in 1973, pitted Domingo and Shirley Verrett against memories of themselves in the same parts 16 years ago. Domingo sand with greater depth and involvement than before (perhaps his own globetrotting has evoked new sympathy for Vasco da Gama). Verrett sang insecurely but acted with her wonted commitment. Justino Diaz bluffed his way through the role of Nelusko, but Ruth Ann Swenson (Inez) and Michael Devlin (Don Pedro) rendered vivid musical portraits.

Skalicki's original production was largely refurbished and, with new costumes designed by Amrei Skalicki, the revival virtually counted as a new production. The direction, by the company's new *general director, Lotfi Mansouri*, also amounted to a rethinking of his work in 1973.

One would have thought that the reason for mounting a major Meyerbeer revival would have been to demonstrate why Meyerbeer dominated European opera in the mid-19th century. But the bland superficiality of the production and the lurching, unidiomatic conducting of Maurizio Arena only made the work seem more slender and, however unwittingly, argued the case for the devaluation of Meyerbeer today.

The *Bohème*, in a production only a few seasons old, was of little musical importance. Both Pavarotti and Mirella Freni, his Mimi, were well below par vocally. Tiziano Severini's conducting – like Sinopoli's Puccini, more of an autopsy of the score than an effort to bring it to life – was not an asset to the enterprise.

The American première of Rossini's *Maometto II* (in the Met's drab Beaux sets for *L'Assedio di Corinto*) was a worthier enterprise and an absorbing evening. Alberto Zedda conducted with a knowing feel for Rossini's unusual musical architecture.

Although Marilyn Horne did not fully command the role of the general Calbo, there was exemplary Rossini singing to be heard from Chris Merritt as Paolo Erisso, Simone Alaimo as Maometto and Robert Tate as Condulmiero. After a somewhat tentative start June Anderson gave a sumptuously vocalised, dramatically alert performance as Anna Erisso.

A revial of *The Rake's Progress* in the Hockney production was lamed by John Mauceri's lifeless conducting. Jerry Hadley was a vivid, winning Rake and William Shimell made an auspicious American debut as Shadow, but the other important roles were either over – (Victoria Vergara's Baba) or under – (Susan Patterson's Ann Truelove) sung.

Some of the season's most exciting surprises were of an extra-musical nature. A revival of the infamous Ponelle *Der Fliegende Hollaender* was enlived when, after a first performance fraught with vocal misadventure Deborah Polaski cancelled her remaining Sentas and subsequently announced that she was abondoning her operatic career after God appeared to her in the San Francisco hotel room, commanding her to devote herself solely to religious music.

Late in the season, Eva Marton, singing the title role in *La Gioconda*, waged war with the supertitles. Audience mirth over the vernacular translation prompted the star soprano to shout, in English, from the stage, *"What's so funny?"* When her audience gasped in amazement, she added, "We're working up here," and left the stage. Although she returned to complete the role, she declined a curtain call.

Timothy Pfaff

ARTS GUIDE

January 20-26

Continued from Page 14

EXHIBITIONS

London

The Royal Academy. Italian Art in the 20th century: after German and British, the third in the Academy's roughly biennial sequence of major national surveys. This is an exceptionally thorough study of the earlier phases, clearly setting out the several developments of Futurism, Metaphysical Painting, Realism and Abstraction, but is rather more cursory and helter-skelter in bringing the story up to date. Daily until April 9, except Good Friday; sponsors Alitalia and Fiat.

Paris

Grand Palais. Paul Gauguin. Coming after Washington and Chicago, 250 works from the United States, the Soviet Union, Japan and Czechoslovakia, together with those in French possession, form the first great retrospective since 1949 of the legendary *peintre maudit*. January 14 until April 24, closed Tue; late closing night Wed (42 96 58 30).

Musée Picasso. Because the floors of the museum are crumbling under the passage of visitors, all the paintings have had to be taken down during repairs, which will last for about two months.

Louvre. Pavillon de Flore. Rembrandt and his school are on show in two exhibitions at the Louvre. 72 drawings constitute a panorama of Rembrandt's masterly work and can be compared with 54 drawings executed by his pupils. The other exhibition consists of 29 canvases by Rembrandtesque artists and is especially interesting in view of the recent controversy about attributions of some of Rembrandt's own paintings. Both exhibitions closed Tue. The first ends Jan 30, the second March 27. Entry from the Quai des Tuileries, opposite Pont Royal (42 60 39 26).

Centre Georges Pompidou. Tinguely's tinkering genius sets his machines swirling and whirring in a riot of colours, yet the mood of the 100 exhibits moves from the exuberance of invention to *metaphysical preoccupations* in his recent works. Closed Tue. Ends March 27 (42 77 12 33).

Brussels

Musée Bellevue. Les Flacons de la Seduction. The art of perfumery in the *18th century*. 7 Place des Palais. Ends Feb 19.

Palais Des Beaux-Arts. 34th Belgian Antiques fair organised by 48 Belgian collectors and dealers. This year's theme is "the unexpected" – l'objet imprevu. Ends February 12. 513 4831.

Musée D'Art Moderne. A retrospective of the paintings of Jean-Jacques Gallard (1890-1976). Closed Monday. Ends March 12.

Antwerp

Museum of Contemporary Art of Antwerp. British sculpture 1960-1988. A major exhibition of works by 36 contemporary British sculptors. Closed Mon. Ends Mar 5.

Rotterdam

Boymans-Van Beuningen Museum. Twin exhibitions on Rembrandt and his school comprising a lavish 200 drawings and 30 paintings, all from the museum's own collection. Ends March 5.

Antwerp

Koninklijk Museum Voor Schone Kunsten. Leopold de Waelplein. Golden Light: Art of the Icon. Contains 185 icons dating between the 13th-17th Centuries. Many of the Byzantine, Cretan and Russian icons are on public view for the first time and are lent mainly from private collections. Closed Mon. Ends Feb 5.

Berlin

Brucke Museum. Emil Nolde (1857-1956). The exhibition concentrates on Nolde's most creative period in Berlin in 1910-1911. There are about 125 pictures, aquarelles, lithographs and etchings. Bussardsteig 9. Ends Feb 5.

Stuttgart

Stuttgart Museum. The most important pictures of the famous Thyssen-Bornemisza collection covering the period between 14th-18th century as well as works by Holbein the youngest, Frans Hals, Peter Paul Rubens and Albrecht Durer. Until March.

Vienna

Kunstlerhaus. The Soviets are becoming more relaxed about exhibiting their treasures abroad. The latest to hit the West is a collection from Leningrad's Hermitage which is devoted to Scythian Gold, the golden artifacts *of the Scythians, a nomadic* people who once ruled over a large area north of the Black Sea. The 170 exhibits – ranging from gold-embroidered clothings, earrings and tablewear – were found in the ritual grave mounds of the Scythian kings. Ends February 26.

Kunsthistoriches Museum. Prague 1600 – A marvellous exhibition looking at the court of Rudolf 11, the great patron, not only of the arts but also the sciences. He kept Johannes Kepler, the astronomer from near starvation, and made Prague a centre of learning and culture. Ends Feb 26.

Museum der 20 Jahrhunderts, Klassische Moderne, a collection of the Museum's contemporary art. Ends March 7.

Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt *and Emilie Floege*. Ends Feb 19.

Rome

Villa Farnesina. Via della Lungara 230. Over 100 fierce lithographs by the French artist Honoré Daumier, most of which originally appeared in the Parisian satirical paper Charivari. Unable to attack his monarch Louis Philippe directly during the years 1830 to 1848, Daumier lashed out viciously at other monarchs, mostly European, but with a particularly vicious series directed at the Emperor Soulouque of Haiti, for their racist attitudes. Until Feb 28.

Galleria Nazionale d'arte Moderna. Witty conceptual art by one of the best of the middle generation of Italian artists, Giulio Paolini, born in Genoa in 1940. Until Feb 28

Turin

Castello di Rivoli. Alberto Giacometti (1901-1966). A retrospective of the Swiss artist's major works, in large part those shown in the French pavilion at the 1962 Venice Biennale (when Giacometti won the sculpture prize). Organised in collaboration with the Maeght Foundation in Saint-Paul, the show includes the nine Femmes de Venise in a highly effective grouping, his Femme Debout of 1960, and L'homme qui Marche – the latter looking acutely isolated in one of the vast stuccoed rococo rooms of the Castello. Giacometti's poignant and austere works seeming strangely to gain in impact from the improbable setting. A fascinating side-show to the main exhibition is Giacometti as seen by photographers, including 129 photographs of the artist by family, friends and masters such as Man Ray, Cartier-Bresson, Ernst Scheidegger and Brassai, covering his life from the age of eight up to his funeral. Until Feb 26.

New York

Metropolitan Museum of Art. More than 100 works by south-west American artist Georgia O'Keeffe covers the range of her career, focusing on her influential abstracts, flower paintings and stark desert landscapes. Half of the works are from the estate of the artist, who died in 1986. Ends Feb 5

Nakhamkin Gallery. Out of more openness in Moscow and better US-Soviet relations, Eduard Nakhamkin now has a New York gallery devoted to Russian art (and in the spring will open a gallery in Yokahama). The first New York show comprises more than 200 paintings, drawings and decorative objects from the Pushkin era, borrowed from Leningrad and Moscow museums. 1065 Madison Av at 80th St. Ends Feb 20.

Washington

National Gallery of Art. Cézanne: the Early Years. Already seen at London's Royal Academy of Art and the Musée d'Orsay in Paris, the exhibition comprises 65 oils and 35 drawings *showing Cézanne's* proto-impressionist techniques from 1859 to 1872. Ends April 30.

Hirshhorn Museum. Part of a four city US tour of the contemporary German artist Gerhard Richter, the retrospective of the 52 year old artist has raised American appreciation of his figurative and abstract periods with 44 paintings as well as an installation piece based on colour photos and two objects. Ends Feb 12.

Tokyo

National Museum. Treasures from the Ninnaji Temple in Kyoto. This Zen temple was founded in 888, but most of its present buildings date from the 16th century. The temple is a recognised centre for the gentle arts of the tea ceremony and flower arrangement and its treasures include beautiful gilt Buddha statuettes, lacquerware and porcelain from the Heian period. Begins January 31. Closed Mondays.

Striped House Museum. Exhibition of paintings by Kiyoshi Koizumi, third son of the late 19th century writer, Lafcadio Hearn.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telex: 8954871 Fax: 01-236 9764/5 Telephone: 01-248 8000

Friday January 27 1989

Lawson versus Delors

THE FUTURE shape of the European Community has become the subject of a vigorous debate between Mr Jacques Delors, on the one hand, and Mrs Margaret Thatcher and Mr Nigel Lawson, on the other. In his outspoken attack on the idea of an economic and monetary union (EMU) as "essentially a damaging diversion", Mr Lawson was responding to Mr Delors' recent assertion that treaty amendments would be required for this very purpose. Mr Lawson warned bluntly that "neither the British Government nor the British Parliament is prepared to accept the further Treaty amendments which the President of the Commission evidently envisages."

Behind the fury of the debate, a philosophical conflict between two differing conceptions of the European Community can be discerned. For the present British Government "the single market is a decisive step towards a more liberal Europe." For Mr Delors, by contrast, the single market programme is just one element in the construction of a new European political entity.

In the face of such divergences of aim, it is vital to make practical progress where agreement exists. Mr Lawson is right, therefore, when asserting that calls for immediate advances in debateable areas outside the single market programme itself will get in the way and may represent damaging diversionary tactics.

Protectionism

Mr Lawson is justified, too, when he stresses the dangers of protectionism. He also identifies an itch for unnecessary regulation at the Community level, which the British Government is right to prevent the Commission from scratching.

Mr Lawson's case would be more compelling, however, if the actions of the British Government had not so often been at variance with its protestations. It was not the Community that forced British acquiescence in the UK's voluntary restraint arrangement on imports of Japanese cars or that introduced the concept of reciprocity into the Financial Services Act of 1986. Nor was it in the teeth of British opposition that the Community secured UK participation in the multi-fibre arrangement, the high levels of assistance given to UK farming, or even the protectionist Community anti-dumping policy.

At the same time, Mr Lawson's views on the longer term aim of EMU must be challenged. While not a necessary condition for the single market, EMU is likely to be of some assistance in securing its full benefits. Furthermore, while EMU entails the loss of monetary sovereignty, the same is not true for fiscal sovereignty. All that would be lost here is the ability to finance fiscal deficits via the inflation tax.

Unconvincing

Mr Lawson asserts that "subject to the overriding need to bear down on inflation, we fully accept the advantages of reducing currency fluctuations." The first half of this is wholly unconvincing. Monetary policy under Mr Lawson has certainly not been ruled by any "overriding" need to bear down on inflation, at least by comparison with most of the full members of the European Monetary System.

The monetary sovereignty on which Mr Lawson insists is a license to depreciate the currency. Since 1932, when sterling went off the gold standard, the purchasing power of the pound has fallen no less than 26 times and, even under the present Government, it has halved. Why does the Government wish to preserve its right to go on drinking from this poisoned chalice?

Nevertheless, the priority is completion of the internal market on liberal principles and, in the field of monetary policy, further development of the European Monetary System. While Mr Lawson's remarks on monetary union may placate the Prime Minister, they cannot obscure the absurdity of UK policy on the EMS, since full membership would be precisely the sort of practical step that should recommend itself to the UK. For how long can even a man a self-assured as Mr Lawson hope that audiences will listen with straight faces to repeated statements that "we will join the exchange rate mechanism when we believe that the time is right"?

London's rail future

IN PUBLISHING the Central London Rail Study, Mr Paul Channon, the Transport Secretary, has taken the first, and probably decisive, step towards solving London's chronic congestion problems. The report makes a cogent case for spending £3.5bn on new infrastructure, part of which would involve the building of new rail lines under the capital. With the facts and arguments now in the public domain, the pressure for action is likely to prove irresistible. Mr Channon wants to present a bill to parliament by November. He should be allowed to do so.

The figures on overcrowding more than confirm anecdotal impressions of a deteriorating service. The number of Underground passengers arriving in central London during the rush hour, for example, has jumped by nearly 50 per cent since 1982, causing serious congestion in 25 Underground stations. The study projects substantial further growth in central London employment during the next 13 years. The consequences include a 20 per cent rise in British Rail trips during the morning rush hour, a 13 per cent increase in Underground journeys, and chronic overcrowding in a further 10-15 Underground stations.

First step

Action is clearly necessary. The first step is a £1.5bn programme of improvements to the existing network, involving more trains, extensions to stations and the restructuring of services (for example the splitting of the Underground's Northern Line into two separate routes). Considerable expenditure on signalling equipment is required: the systems installed in the 1970s are unable to cope with train frequencies which were routine in the 1940s.

But such upgrading would hardly dent congestion during peak hours: there is thus a powerful case for new lines or extensions of existing track. The report puts forward two options. The first, called Full Cross, consists of BR gauge tunnels running north-south and east-west. The second involves the same east-west rail link plus a new north-south tube line. Capital costs in both cases would be around £2bn. Either package, it is argued, would eliminate around 95 per cent of the congestion not dealt with by the upgrading programme.

The Full Cross scheme looks marginally more attractive since it is cheaper and offers a higher ratio of benefits to costs. But either would be a welcome improvement. The chances that the capital spending involved would prove unnecessary look minimal. This study, like so many previous Transport Department reports, bases its calculations on its lower projection of employment growth: an M25 outcome is thus entirely possible with investment failing to keep pace with rising traffic. Indeed, the study concedes that its estimates of benefits from investment may be "cautious rather than optimistic."

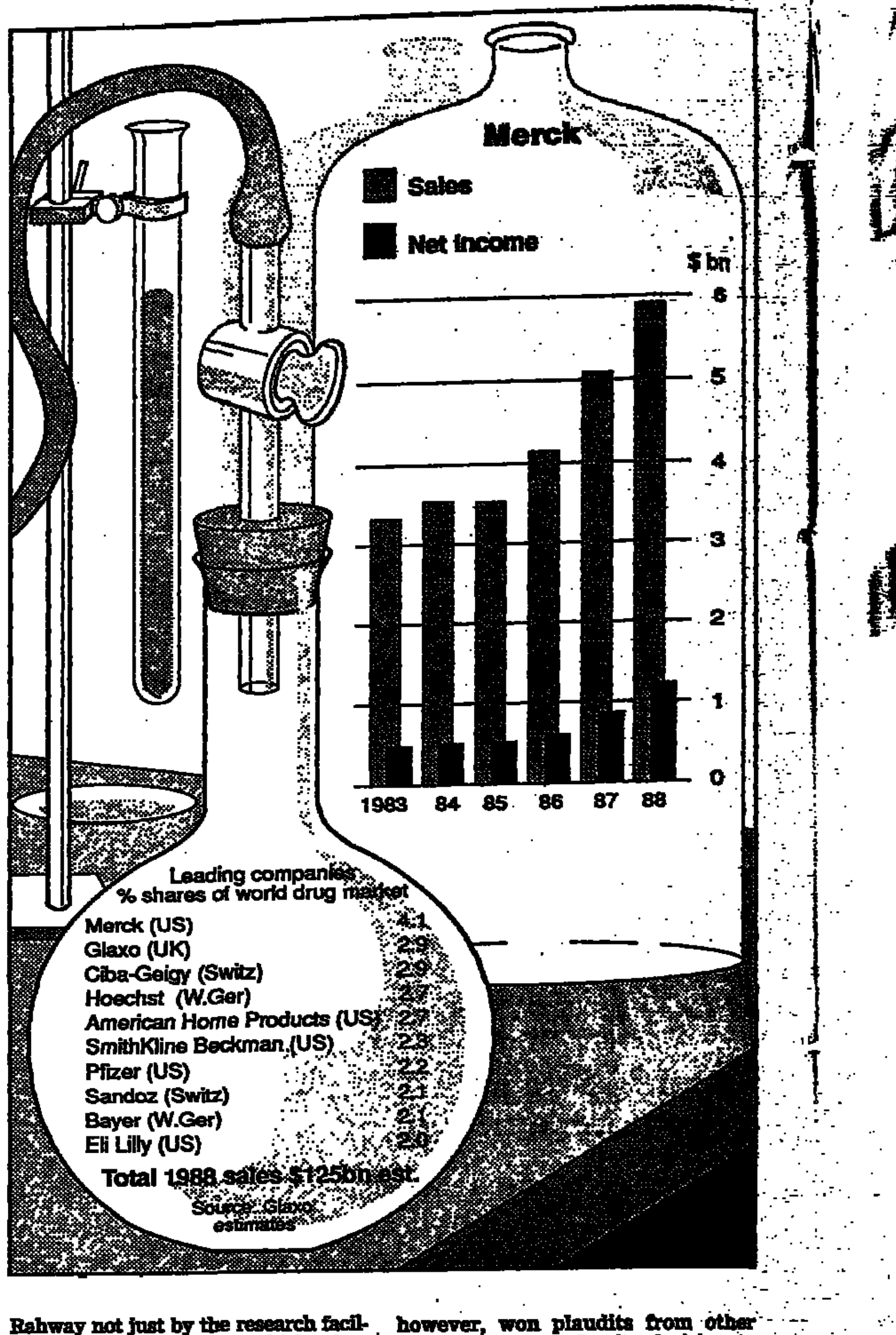
How to pay

The knotty issue is how to pay for all this desirable investment. Mr Channon, unlike the 19th century creators of the Underground, does not want to lose his shirt. He is prepared to make grants where there are sufficient non-user benefits (for example reductions in road congestion) and will try to extract cash from developers who stand to benefit from enhanced land values. But the bulk of the costs will have to be met by unspecified increases in fares. There is no question of asking taxpayers in the rest of the country to subsidise better transport in London. This is a hard-nosed conclusion, but probably justified given the regional distribution of wealth and employment.

The study has only one serious drawback: its narrow terms of reference. It does not make sense to analyse rail congestion in isolation. Ideally, Mr Channon should have commissioned a study of London's overall transport needs – in other words looked at cars and buses as well as trains. He should have analysed the costs and benefits of market-based solutions to congestion, such as road pricing. It is hard to believe, however, that such a wider study would not have reached similar conclusions on the need to invest heavily in rail infrastructure.

James Buchan and **Peter Marsh** examine the spectacular success of the world's biggest pharmaceuticals group

The winning mix in drug research



Dr William Campbell is a senior research biologist at Merck, the US company which is, by a wide margin, the world's biggest pharmaceutical group. In 1981, after six years of research and development, he brought to market a drug called ivermectin which has revolutionised the treatment of cattle against parasites and provided more than $1bn (£564m) in sales.

Dr Campbell – an expatriate Irishman with a hint of burr in his voice – is among a team of 80 research scientists who work on animal health at Merck's main laboratories in Rahway, New Jersey, and who cost the company more than $8m a year.

Despite Dr Campbell's cheerful admission that the team is "a very long way" from finding a successor to ivermectin, he says he is given a free rein: "One of the wonderful things about Merck I've found is that nobody looks over my shoulder."

You don't have to be at Merck long to hear the word wonderful. The company's annual drug sales of more than $5bn are some $1bn more than those of its nearest rivals, Britain's Glaxo, Ciba-Geigy of Switzerland and Hoechst of West Germany. Of the world's 50 top-selling drugs, Merck is responsible for six – twice as many as any other company.

Merck's success was highlighted three days ago when it reported net income for last year of $1.2bn, a 33 per cent rise on 1987. The company is worth almost as much on the stock market as the Ford Motor Company and more respected (according to a Fortune magazine survey) than International Business Machines – both of which are much bigger companies.

Merck is given highest marks for managing its $650m-a-year research effort tightly and tying it closely to the marketing of drugs. Bringing these two sides of the business together is an increasing preoccupation for the $120bn-a-year world pharmaceuticals industry.

Because of stiff government regulations on drug safety, new medicines are time-consuming and expensive to develop. With so many established products in the market, the cost of searching out new drugs has reached 10-15 per cent of most companies' turnover. It can often take 10 years and $100m to bring a new drug through the necessary safety trials to market. The industry believes that it can only wrench sufficient new products out of R&D by closely co-ordinating marketing and research.

Merck's research outlay is greater than that of any other drugs company. But sheer cash buried at drug discovery does not necessarily lead to results, as other pharmaceutical companies have discovered.

In the 1970s, F. Hoffmann-La Roche of Switzerland and – more recently – the US's SmithKline Beckman both spent heavily on pharmaceutical development but with far less commercial success than Merck. And Glaxo – the drugs company which has had the most rapid rise to prominence in the past decade, largely thanks to its Zantac anti-ulcer formulation – has done this with a relatively small R&D budget.

In Merck's case, the company makes a point of employing some of the world's top pharmaceutical researchers and, as Dr Campbell has discovered to his satisfaction, giving them freedom to pursue intellectually challenging work. Much of this research involves novel scientific ideas in areas such as biotechnology which could lead to new drugs tailored to attack particular ailments.

Merck's way of handling R&D can be seen most clearly at its Rahway complex, a neat 210-acre expanse of brick buildings and lawns which looks like a university campus but for the piping that winds round the buildings from a pilot chemical plant.

Rahway's 1,700-odd scientists get the lion's share of the company's R&D spending and it shows in the glittering array of computers, centrifuges, gene synthesisers and other expensive gadgets that are piled one above the other in the laboratories.

Mr Bradley Sheares, a young biochemist who has just arrived at Rahway from post-doctoral work at the Massachusetts Institute of Technology, says: "MIT is not shabby by any stretch of the imagination. But here there's plenty of money for research, there's all you need."

In these research labs, and at a site of the same size at West Point, Pennsylvania, Merck has developed 15 drugs with sales of more than $100m in therapeutic classes ranging from animal parasitology to cardiovascular treatments, antibiotics and anti-ulcer drugs. A clutch of new treatments and vaccines are in clinical trials.

Besides showing such largesse in research, Merck spends a lot of management time targeting scientific efforts to ensure they are aimed at therapeutic areas which have large sales potential. Examples of this approach include Merck's development of Mevacor, a drug to combat

Merck is given highest marks for managing its $650m-a-year research effort tightly and tying it closely to the marketing of drugs

the build-up of cholesterol in arteries which can lead to heart attacks; and of Vasotec, a medicine for high blood pressure which is Merck's biggest selling product. Vasotec's sales of more than $1bn a year are already matching those of a similar drug made by Squibb, another US pharmaceuticals company, which became available several years earlier.

"The company doesn't meddle with the day-to-day research work. But it is good at setting priorities and communicating to researchers what those are," says Dr Eugene Cortes, who was a research vice-president at Merck for eight years before leaving to become research director at Sterling Drug, another US drugs group.

Merck can also be ruthless. It will quickly drop a project that shows no promise. "We're not in this business for charity," says Mr Stanley Fidelman, head of research planning. "Our whole industry is guilty of letting research projects go on too long."

Another key to Merck's approach is a close involvement by marketing staff in new research projects. "There are continuous meetings between scientists working on a new product and the people who will eventually sell it; this ensures that when the drug comes to the market it will meet a real need," says Mr John Lloyd Huck, who worked for Merck for 28 years, finally as company chairman, before retiring in 1986.

Business observers have particular praise for Dr Roy Vagelos, Merck's current chairman, who replaced Mr Huck. 59-year-old Dr Vagelos is a biochemist who has the rare distinction of being admired both for his management and scientific skills. He also figures in an often repeated Merck legend: as a boy, he waited at table and washed dishes at his parents' diner on Irving Street in Rahway, half a dozen blocks from the Merck laboratories. His sister married a Merck chemist she met in the luncheonette and Roy, too, became fascinated with the scientists who came through.

Ambitious, serious and practical – like that other famous Greek-American, Michael Dukakis – Dr Vagelos worked his way through two universities, did a spell as an intern at Rahway and as a doctor in Boston. After a career as head of biological chemistry at Washington University in St Louis, he returned to Merck in 1975 to run Merck's research department, which was going through a dry spell.

At the time, most drug research consisted of random screening of natural substances, or "cranking out the assays," as the industry calls it. Under Dr Vagelos, Rahway gradually decreased the prominence of random screening in favour of a new approach – tailored drug design – just catching on in the industry. This was to identify key steps in the development of illness and then design a drug to break the chain.

"My background was in medicine, biochemistry and enzymology," Dr Vagelos says. "We undertook to change that research entirely. I told the chief executive who hired me, Henry Gadsden, that it was a risk because I'd never worked in drug discovery. It was a fantastic risk for the company."

This underlines an essential element of Merck: its staying power. During the 1970s, when virtually nothing of interest was emerging from its research pipeline, the company kept on with its large-scale R&D activity. In the end this policy – and the tailored drug approach – paid off, most spectacularly in the shape of Mevacor, launched in 1987 with estimated sales last year of $200m, making it the most successful new drug ever.

Other projects – Vasotec, the antibiotic Primaxin, a new drug to tackle enlarged prostate glands in men and new compounds that could combat Aids – have followed the same "rational" pattern. "If you are lucky enough and your chemists are good enough, you can get so specific that you just turn off one enzyme and nothing else, and there are no side-effects, just exaggerated effects," says Dr Vagelos.

Dr Vagelos has brought his own style to Merck: informal, egalitarian and intensely businesslike. Several scientists say they were attracted to Rahway not just by the research facilities but by the ease with which scientists mingle there.

On the marketing front, Merck says it goes to some lengths to maximise the credibility of its specialised sales force – the "detail" men who call on doctors to tell them about new Merck drugs. Mr Louis Privitere, a senior Merck vice-president says: "We hope that when a representative of Merck walks in, the physician will know he is both well-informed and honest."

At this stage in its corporate life, there is nothing Merck will not take on. Although it has developed only one genetically engineered product – a hepatitis vaccine – it believes it can dominate the biotechnology industry. "We have as strong a capability as any pure biotechnology company," Dr Vagelos says. Mr Samuel Isaly, a leading Wall Street pharmaceuticals analyst, agrees: "When Merck puts its mind to something, its resources – its money – can bury everyone else."

As well as its army of admirers, Merck also has some critics. The company has come under attack from some consumer lobbying groups for its massive promotion of Mevacor and another similar anti-cholesterol drug called Zocor which is in its research pipeline. The cash spent on marketing such products would, according to this view, be better spent in telling people to eat less fatty food and exercise more to stop the cholesterol build-up in the first place. Merck has, however, won plaudits from other consumer groups for its decision to give away ivermectin to 250,000 people in central Africa afflicted by river blindness, an often disastrous tropical disease caused by parasite attack.

For all its size, Merck still has only 4.5 per cent of the fragmented world pharmaceuticals market. "I feel to be No 1 and so little is ridiculous," says Dr Vagelos. "If we could double our market share, then we would have the revenue stream that will allow us to work in all the interesting fields at once. At the moment, we have to race to be ahead of the competition.

"My dream is to be like Bell Laboratories in its heyday. It was so large and could work on so many things, and things so way out that they would not pay off for years. I'm talking about the absolute strike, like the transistor. I'm talking about pure basic research."

As for the future, among Merck's rivals only Glaxo is credited with the organisation and the research clout to match the US company over the next few years. Other companies, not strong enough to manage the rising R&D costs and relentless competitive pressure, are expected to merge in a wave of consolidation which could severely thin the ranks of the the 70-odd companies with sales of over $100m. Whatever the shape of the world pharmaceutical industry in the 1990s, Merck will continue to have a very large part in it.

OBSERVER

Peace comes to Oxford

■ The Oxford Union has traditionally gone in for full-dress debates, for or against a motion. Recently it has developed an additional format under which a single speaker is invited to give his views. Last October it was Jimmy Carter, a former US President.

Carter addressed a joint meeting of the Union and the University Middle East Society, his Camp David agreement on the Middle East being the achievement for which he is most remembered. He suggested that if they wanted to hear a moderate and reasonable Palestinian voice they invite Bassam Abu-Sherif, an adviser to the PLO Chairman Yassir Arafat.

So they did, and on Wednesday night Abu-Sherif was there, addressing a capacity audience of 700-odd students and through them urging the Israelis to "lay down your arms, we have an appointment with peace".

It was not as electric as it might have been, because so much has changed in and around the Middle East since Carter spoke. For one thing, on his way to Oxford, Abu-Sherif dropped in, for the second time, on William Waldegrave, the junior Foreign Office minister, who in between had been to call on Arafat himself in Tunis.

For another, there was a conspicuous lack of hostile demonstrations. The Oxford University Jewish Society did telephone the organisers to protest, but their complaint was that they had not received an invitation to the meeting.

Lone Pandolfi

■ Perhaps there are too many bureaucrats in Brussels, after all. Filippo Maria Pandolfi, the new Italian Commissioner who has responsibility for science and telecommunications, has been getting by on a staff of only two temporary advisers.

All other Commissioners have a "cabinet" of about six and take pride in how well their personal advisers keep them briefed: not least on what the other cabinets are up to.

Pandolfi thought about appointing a team of scientific boffins, but may have been talked out of it. "His behaviour is extremely odd," said one diplomat, and he may be persuaded to appoint a conventional cabinet in the end.

The lack of one has done him no harm so far. Pandolfi put up a very spirited defence when Bruce Millan, the British Commissioner in charge of regional policy, sought to reduce the Italian share of regional funds.

"Stop complaining - at least you didn't have to pay me."

Etiquette

■ There is a lot to be said for the convenience of business reply cards accompanying invitations to official events. Yet it is surely pushing it a bit to be expected to sign your name under the printed words ". . . is delighted to accept." There are some things we do out of duty. "So-and-so will attend" should be quite enough.

Dr Howells

■ After losing the by-election in Govan to the Scottish Nationalists last November, the Labour Party is plainly determined to put up heavyweights in future campaigns. The shortlist for the by-election pending in Pontypridd included a deputy headmaster, an NHS scientist and Ivor Richard, a former European Commissioner, as well as Kim Howells, the eventual winner.

Howells had a four-year spell in the Communist Party, but retorts: "So did Denis Healey." He uses his postgraduate doctorate freely: most people call him Dr Howells. A local boy, he lives and works in the constituency as research officer for the South Wales miners.

In the miners' strike of 1984-85 he straddled the fence. An enthusiastic supporter of miners' solidarity at the start, he turned into an opponent of Arthur Scargill's tactics before the end.

He is also up with the times. "I thought of wearing my leather jacket to the selection meeting," he said. "But my mother told me to wear a suit, so I wore a suit."

Ponty, as everyone in Wales calls the constituency, is not an archetypal valleys seat despite its Labour majority of over 17,000. It has a strong agricultural sector as well as a council with several Plaid Cymru (Welsh Nationalist) members. Plaid is talking about a swing in its favour, which is another reason why Labour took the selection so seriously. Even Roy Hattersley, the deputy leader, was vetting the list.

Danish Volvo

■ The Danes are planning a major trade campaign, Denmark in Britain, to be launched by Queen Margrethe in London in April. They cannot be too pleased, however, about the results of their preliminary research.

Malene Djursaa, a lecturer at Copenhagen Business School, found that about 40 per cent of the middle and senior British management did not know that Denmark is a member of Nato and 20 per cent have not yet realised that Denmark has joined the European Community. The ignorance of the general British public is much wider.

The point of the campaign is to show that Denmark is now primarily an industrial country. In fact, exports of manufactures overtook agricultural exports around 1960. Yet about 75 per cent of British management still think of Denmark as "mainly agricultural".

Djursaa points to one compensation: a British tendency to believe that Volvo is Danish.

Cafe closed

■ Who says Nato cannot take decisions? Yesterday it decided to drop the acronym for the talks on Conventional Armed Forces in Europe. Diplomats said that the term "cafe" was too frivolous and, because the talks are being held in Vienna, the Vienna Café was all too much.

Superiority

■ "Are women really equal to men?" is the title of a discussion advertised at a Berkshire club. Someone has written underneath: "Women are equal to anything."

POLITICS TODAY

Tories' bogland may prove treacherous

By Joe Rogaly

Walk with care. There are bogs everywhere, and more to come. This warning applies to Britain and not, as you might think, Ireland. For Mrs Margaret Thatcher's Conservative Government is busy creating a nation of bogs – boards of governors – hand over fist.

Boards of governors will manage the schools that choose to become independent of locally elected councils. More bogs will manage the hospitals that choose to detach themselves from the control of health authorities. We will hear about them next week when the Government publishes its proposals for the National Health Service. Boards of governors – call them committees if you are picky – will manage the housing associations that will take over many "opted-out" public housing estates.

The Government's Bog Strategy is either devilishly clever, or very stupid. At the moment it is impossible to tell which. Bear with me and I shall explain.

Seen from Downing Street, Mrs Thatcher's first decade in office divides into three unequal and overlapping periods. In the first inflation was brought under some sort of control, the trade unions were put in their place and the broad lines of macroeconomic policy were set. In the second a start was made on developing the "enterprise culture."

This third term is devoted to social policy. Society itself is being reshaped in order to clear from British minds the idea that everything must be done by the welfare state. That delusion is to be replaced by the Thatcherite principle that as much as possible must be done by the individual. There is, however, a difficulty. The tax-financed education service is not something that could easily be wound up or privatised: too many blue-collar Tory voters depend on it. The National Health Service is persistently popular, in spite of its many glaring defects. Council housing estates constitute a bricks-and-mortar reality that cannot be wished away.

To get around this difficulty the Government has invented opting-out. Mrs Thatcher loves this invention. It seems to free people from the control of locally elected authorities. The Prime Minister does not like local authorities. In her mind they are dictatorial, irresponsible, spendthrift and, worst of all, often controlled by the Labour Party. During the 1987 general election the Education Secretary, Mr Kenneth Baker, indicated that very few schools would be likely to opt out under his new Great Education Reform Bill. Not so, said Mrs Thatcher. Very many would. Mr Nicholas Ridley, the Environment Secretary, needed no such Thatcherite reminders. He has hammered a thousand blows on local government and his great and, to my mind, most worthy ambition is to break its control over public rented housing.

Politically, opting-out should be an easy sell. It appears to give power to parents and tenants. It is in tune with the idea that small self-governing institutions are likely to perform better than large bureaucracies. It should ensure value for money as entrepreneurial headmasters/housing managers/hospital directors take responsibility for their own budgets.

Looked at this way, the Bog Strategy is indeed clever. An opted-out school head with commercial nous will use to the full his or her new-found freedom to charge for, say, special school journeys. There will be economies of scale, since an attractive school will be able to use the same number of classrooms and, up to a point, teachers, for marginally larger numbers of pupils. Each pupil comes with a set government grant, paid into the school's very own budget. It may be possible to do sponsorship deals with, say, IBM, and thus acquire a row of gleaming new personal computers for the classroom. The parents who vote for opting-out will surely be the kind who are good at fêtes and other forms of fund-raising.

The same will apply to the managements appointed by hospital trusts. Their ability to trade with the private sector, and set up commercial stalls in their foyers, should give them opportunities for budget enhancements, although the precise extent to which the Treasury will let them keep their hard-won cash remains to be seen.

At present not even the most optimistic of the Thatcherite thinkers behind this strategy is willing to forecast that it will tip the balance against the core Welfare State. It is one thing for an NHS hospital to charge for a private room, or a specially taken photograph of a new-born baby; it is quite another to present a bill for an operation or other basic medical services. Fees for, say, visits to France by schoolchildren are on one side of this Rubicon; fees to attend classes are on the other.

Ideologues can, however, daydream. You can deduce the nature of such dreams by watching the political progress of Mr Robert Jackson, the junior minister for higher education. He helped persuade the Chancellor of the Exchequer, Mr Nigel Lawson, to overcome initial Treasury doubts about the introduction of a scheme of top-up loans to meet students' subsistence costs. The clinching argument was that this would encourage the growth of a financially prudent mentality.

Mr Jackson would like to go further. He wants British universities to charge for tuition itself. Mr Baker, who is Mr Jackson's ministerial boss, spoke favourably of an American-style system earlier this month. To Mr Jackson, that would mean moving towards the financial structure of US state universities, which are heavily subsidised but which nevertheless charge fees. If Britain's universities do choose to impose tuition fees their income would (at least initially) be additional to the government grants they currently receive. This should secure university independence.

The snag is that no politician, not even the hardest Thatcherite, wants to be blamed for forcing middle-class parents to find more money to pay for their children's higher education. Lord (Keith) Joseph came a cropper when he tried that, and no Tory has forgotten it. Putting the onus on the quasi-independent universities is politically safer for the Government.

The universities may be easier to tackle than the other state-funded social services. Yet it is at least possible, some free-market fanatics tell themselves, that the new bog-managed schools, hospitals and housing estates will become so familiar, and so attractive, that the country will be ready for the next step, which is genuine privatisation. This is not as fanciful as it may seem. The evidence of the first decade of Mrs Thatcher's governance is that what seems impossible at first mention very quickly becomes the conventional wisdom. Three or four years ago no one would have believed it possible to privatise water. A year ago the privatisation of coal or the railways would have seemed absurd. The introduction of student loans has been put off until now, to give opinion time to ripen.

So much for devilishly clever. The Bog Strategy could, however, come to be regarded as very stupid. For a Thatcherite bog is a peculiar device. It is apparently independent, but in reality emergency lines of control go right back to Whitehall. Thus the Education Secretary may intervene if a school board behaves irrationally. The Housing Corporation, which reports to the Environment Secretary, can similarly involve itself in the affairs of housing associations. Officials have spent a great deal of time devising proper controls over the new "independently managed" hospital trusts to be announced next week.

This severely dilutes an already weak form of electoral control over the new bogs. Patients cannot elect hospital boards, so that takes care of that. Parents vote for school governors, but the transitional arrangements provide for a continued majority for representatives of existing boards. Housing associations are managed by volunteers, although every now and then a tenants' representative is elected.

If voters are not to control the new bodies, perhaps the market will? The answer is only up to a point. Rents must be affordable. Fees for health care or education may not be charged. There is no price mechanism. School closures are possible, but the Secretary of State, not the market, will finally decide. Performance-related pay may be an incentive to some of the new managers, but there is no chance of stock options or a serious personal capital gain. The real motivation to manage well will not be to accrue wealth, but rather to run a bigger school, hospital, or housing estate. The basic capitalist levers of fear and greed are absent. The ideal of public service is present.

More to the point, the Treasury will try to keep a lid on it all. Its own contribution of taxpayers' money will be cash-limited; the extra revenue accrued by school fêtes, charges for private hospital beds and the like can only be marginal. Consider what this means. Many individuals will doubtless serve on more than one board. The army of good folk who give their time to the new boards could grow into a vociferous middle-class pressure-group, ever asking for more.

In short, the Government may tell itself that it is planting the seeds of a private-enterprise culture, but when it comes to harvest-time it could be a new public-expenditure crop that stands waving in the field. If this is indeed the result of what must so far be regarded as a strategy with unpredictable consequences, the new crop will be far stronger, and more difficult to control than its predecessors. It is easy to cut spending on local authority services. They are intended for the poor. Opted-out services are for Tory voters.

LOMBARD

The Emperor revisited

By Jurek Martin

THERE WERE good reasons to look forward to Edward Behr's "personal investigation" on television into the late Emperor Hirohito. First is the simple point that any exercise in the British mass media which does not focus on Japan as an economic miracle or a sociological oddity can only be welcome. The BBC, after all, reaches audiences comparable to the readership of the Sun, whose views on most foreign countries and certainly Japan, are more calculated to inflame than to inform.

Second, contrary to the views of some with knowledge of Japan, it always seemed unlikely that the programme, whatever its thrust, or its timing so soon after the Emperor's demise, would be so offensive as to damage Anglo-Japanese relations, as The Death of a Princess was said to have done to the London-Riyadh connection. Sensitive the Japanese may be, as they have shown in officially overreacting to the Sun's editorial gamma rays. But they are as pachyderms compared with the Saudis, and, in any case, the bilateral relationship with Britain is on far too solid a footing these days to be upset by any exercise in journalism.

Most important, there is genuine uncertainty, to apply Watergate terminology to the 1930s and 1940s, over what Hirohito knew and when he knew it, with the twist of whether he could have done anything about it. It is a legitimate area of inquiry, hitherto mostly confined to academics and conspiracy theorists, of whom the first, at least, acknowledge the incompleteness of their source material. The promise of the programme was to lift the veil a bit for general consumption, no bad apparent goal; according to the morning-after reaction of some colleagues, the fascinating archive film of pre-war Japan certainly held the attention.

All the more sadness, therefore, to reach the conclusion that Mr Behr's televised essay failed so badly and on so many counts. Its research really was at best selective and at worst grievously flawed, as a devastating dissection by Dr Stephen Large, of the Faculty of Oriental studies at Cambridge, demonstrates. He highlights not only a series of specific errors and omissions, particularly over the circumstances preceding Pearl Harbour, but also, and most critically, the absence of any attempt to explain how the Japanese Government actually worked before and during the last war and how the Emperor fitted into the scheme of things.

Dr Large believes, rightly, that the Emperor reigned but did not rule. Having started from the reverse proposition, Mr Behr adduced evidence only to prove his point. Some acknowledgement of the fact that historians do disagree would at least have been more honest.

From this corner, the parallel disappointment was that it was such bad journalism. The trade we practise is far from being perfect, but, at its best, in TV as in print, it can be fair and accurate without being boring. Perhaps a "personal investigation" is a label designed to warn in advance that balance is not a priority, but even this cannot excuse the selective use of Western wartime propaganda film to prove the contention that Hirohito was implicated to the ears. Citing Japanese sources without explaining their provenance is something which would not escape notice if applied to an examination of a British, American, or even European issue (unless it were conducted via the British parliamentary lobby, which, of course, does not acknowledge the existence of sources).

Initial reactions from Tokyo suggest that the Japanese see this programme as the latest example of the rise of global prejudice against them, equivalent to the smashing of Japanese radios on the lawns of the US Congress. It is surely more useful to remind Japan that the death of the Emperor was always bound to disinter some deeply held feelings about the war. That is what Sir Geoffrey Howe correctly and promptly did this week, with his equally important rider that Japan is now a very important democratic country which should be on board not off side. And in that context, this week's television programme was a missed opportunity.

LETTERS

Trouble with takeover bids in 1992

From Mr Ian N. Tegner.

Sir, I read with interest Allen Sykes's article on bid-proof companies (January 4). Part of his thesis appears to be that companies in Europe financed with debt and equity provided by banks are for that reason more efficient than those in the UK, where such holdings are rare. This is at least, I think, open to question.

He goes on to highlight how the significant presence of banks as shareholders in many European companies also makes those companies, although "public", virtually bid-proof. This is not because of any legal or nationalistic aversion to takeovers but simply as a structural consequence of long-standing custom and practice, resulting in relatively small equity markets.

This contrasts with the UK where, with few exceptions, companies are vulnerable to takeover bids almost regardless of their size. Indeed, one could question how real is the security assumed by Mr Sykes of even those companies with a capitalisation of over £5bn. For this reason, it seems to us that there is a real possibility that UK companies will be at a serious disadvantage in making the sort of rationalisation or major takeover bids which may be needed to establish effective positions within the Single European Market.

If we follow this logic to its natural conclusion, this could lead to a material reduction in the number of quoted major UK companies, thus creating a major policy dilemma for UK institutional investors.

Ian N. Tegner,
The Hundred Group,
Poultry, EC2

Investment incentives for manufacturing

From Mr A.J. Gooding.

Sir, I share Roy Grantham's concern (Letters, January 13) about the need to encourage the manufacturing industry to invest. I also agree with him that investment (capital) allowances should be changed in order to provide industry with the incentive to do so.

However, I totally disagree with the particular changes he proposes. They would, I feel, lead to interminable arguments with the Inland Revenue about apportionment of expenditure so as to determine how much would qualify for preferential treatment. Furthermore, an industrialist would now know beforehand what he was entitled to claim – and would not therefore be in a position to appraise the proposed investment properly.

In short, Roy Grantham's proposals do not satisfy the two crucial tests which apply to these matters – simplicity and certainty.

In my view a much more effective incentive would be to re-introduce 100 per cent first-year allowances (free depreciation) or substantially increase the present 25 per cent writing-down allowances, for plant and machinery, for a pre-determined limited period of say two years.

With *1992* and the Single Market fast approaching, there is no time to be lost in ensuring that UK industry becomes much more competitive. Increased investment is essential. The squeeze on profits because of high interest rates and a strong pound makes this difficult. Hence my suggestion of some relief through a substantial but temporary increase in capital allowance.

A.J. Gooding
Gooding Group Ltd,
27 Park Place,
Cardiff.

Calling for a comprehensive food policy

From Mr Dennis Landau.

Sir, I read with interest, but also with some dismay, Bridget Bloom's article (January 25) on the storm now raging around Mr John MacGregor and his Ministry of Agriculture, Fisheries and Food. In particular, I was concerned by the various proposals apparently being canvassed for the overhaul of ministerial responsibilities. None of these seem likely to bring about a comprehensive and coherent Government policy on food, which is the pressing need.

As chief executive of the Co-operative Wholesale Society, I am fully aware of the many challenges facing all sectors of the food industry and of the need to balance all these various interests. If we are to surmount these challenges in a manner which meets the best interests of the nation as a whole, we need, on the part of Government, policies which encompass all the links in the food chain, from agriculture to the factories and shops and, indeed, right through to the dietary and health concerns of the consumer. Instead, we have at present a series of unconnected, even conflicting, policies in agriculture, industry, education, science, health and the environment. The inter-departmental chaos over the salmonella issue is but the tip of a very large iceberg.

A coherent policy – a "Farm to Family" policy as I describe it – initiated by government would provide a set of principles for tackling a whole range of issues from reform of the common agricultural policy to decisions on the level and direction of research spending. Interestingly, on the same day as Bridget Bloom's article appeared, the Government was criticised for its handling of food-related research. It is my contention that, with a properly co-ordinated food policy, the government could achieve more effective research, possibly even at lower overall cost than at present.

I do not suggest that the development of such a policy is a simple task. And I do understand Miss Bloom's final point about government reluctance to tinker with administrative structures. Hence I do not subscribe to most of the recipes (many of them half-baked) currently being put forward.

But I do believe that there is a case for a wide-ranging inter-departmental review of all the issues which impinge on the nation's food and health and I urge government to treat the matter as one of its top priorities. This should result in a strengthened Ministry of Agriculture, Fisheries and Food, with a wider remit than at present – not in its dismemberment.

Dennis Landau,
Co-operative Wholesale Society,
PO Box 53, New Century House,
Manchester.

A loyal relationship

From Mr John Grout.

Sir, The editorial "Loyalties in banking" (January 18) raises more questions than it answers.

What, for example, do you mean by "traditional banking relationships" and "transaction-based banking"? Are you implying that a company should go out of its way to use a bank (or a specific bank) when it is unnecessary (or uncompetitive)?

A large company operating in many parts of the world needs a number of banks. This is true because not all banks have branches in all centres and because not all branches offer every service.

Foreign companies naturally use the larger banks in each country. Inevitably, as those banks set up operations in major centres abroad they look to existing clients with relationships elsewhere in order to establish a local client base. Being considered is, of course, part of that relationship.

The company may believe strongly in "relationship banking". It may confine its briefing of banks about confidential developments in its affairs and its solicitations for quotations for business to its list of "relationship banks" which it keeps as small as is practical. However, receiving quotations from those banks, it surely must accept the quotations offering the most appropriate systems/lowest error rates/best confidentiality or expertise/least conflict of interest/lowest price according to the service sought.

The banks which are quoting know that the business will go to the "best" quote. Knowing their client well, the banks should be well placed to quote. They also know that the business will only go to a bank outside the relationship group on grounds of competence and not (except in the most extreme case) on cost grounds or before the relationship group has been tested. That is the loyalty the company owes the bank. The absence of such loyalty defines a transaction-orientated company.

Unless a banking group is prepared to reciprocate that loyalty it should not seek to be included on a company's list of relationship banks

John Grout,
1-4 Connaught Place,
W2

FINANCIAL TIMES
Friday January 27 1989

Moscow launches Chernobyl clean-up plan

By Quentin Peel in Moscow

THE RULING Soviet Politburo has unexpectedly announced a new campaign to cope with the consequences of the Chernobyl nuclear disaster, nearly three years after the event, suggesting that additional evidence of radiation may have been uncovered by Soviet scientists.

The action is to be concentrated in the republic of Byelorussia, due north of the Chernobyl plant, which took the brunt of the nuclear fallout after the accident in April 1986.

No details of the cost or scope of the new programme have been revealed, but it was given prominence in the weekly communiqué of decisions by the Politburo, published on Wednesday evening.

It comes after senior officials in Byelorussia revealed late last year that a far greater part of the territory had been polluted by radio-nuclide fallout than had been originally assumed.

Mr Mikhail Kovalev, chairman of the Byelorussian Council of Ministers, said that almost one fifth of the republic's arable land had been polluted to various degrees.

Mr Vladimir Matyukhin, director of the Byelorussian Radiation Medicine Institute, was also quoted in the Byelorussian newspaper Zvyazda as saying that radiation had covered areas populated by hundreds of thousands of people.

He said a nationwide register of those who had received dangerous or potentially dangerous doses of radioactivity included tens of thousands of names, with one quarter of them being children.

The Politburo announcement said that Rs900m had already been spent on rehousing people from evacuated areas and rebuilding schools and other public utilities in Byelorussia, with more spent in other regions.

The latest move is therefore an additional programme, on top of what was foreseen. Apart from responding to new evidence on the extent of the pollution, it is also likely to be a reaction to public anxiety over the consequences of the accident, which official reassurances have been unable to assuage.

The Politburo resolution "instructs the central economic bodies, ministries and government departments . . . to take additional measures for continuing work on eliminating the consequences of the Chernobyl accident.

"The necessary funds and material and technical resources will be immediately allocated for the purpose," it adds.

The Chernobyl accident has already cost the Soviet state budget a staggering Rs8bn, and the new programme will come as a particularly heavy blow at a time of state spending cuts.

In spite of official denials, the public backlash since Chernobyl has halted much of the Soviet nuclear power programme.

Latest reports suggest that a nuclear station in the Crimea may have been abandoned, following the decisions to halt work on another in Azerbaijan, close down the nuclear station at Yerevan in Armenia, cancel one in Minsk, Byelorussia, and halt the building of a third reactor at Ignalina, in Lithuania.

Another startling report in recent weeks said geologists had discovered the dumping of radioactive nuclear waste in the open air near the Ignalina station, already the target of angry protests by Lithuanian environmental groups.

The local radio station said a group of geologists had discovered radioactive material in underground water and that the station management would be prosecuted.

Stalin's killing fields in Byelorussia, Page 2

Feeding the hand that bites you

K.K. Sharma reports on the burdens of corruption in India

PIRIBHU SINGH barely ekes out a living for himself and a family of eight from six acres he owns in Indri village in the north-western Indian state of Haryana. Yet he could be rich if only he could find enough money to bribe the bevy of petty officials who stand in his way.

Piribhu's potential wealth lies in the chance of selling one of his acres, the market value of which has soared because it is close to fast-expanding Delhi whose rapidly growing population is spilling across the borders. He has been offered Rs165,000 ($10,900) for this acre – for him a small fortune.

What has blocked the sale is the elaborate bureaucratic process of making the sale and the number of palms of petty officials that Piribhu must grease to push it through. So great is the burden of filling the grasping hand of rural officialdom that Piribhu despairs of ever selling the one acre.

The recent rows over pay-offs to prominent politicians in defence deals has highlighted corruption at high levels including the scandal over the payments made by Bofors, the Swedish armaments manufacturer, to help secure deals. For people in villages and towns in the country, who are constantly required to pay bribes of varying amounts to lesser officials, corruption is so pervasive that the scandals can hardly shock them.

Piribhu, for example borrowed Rs800 to bribe the village "patwari", the local land record keeper, to make a plan showing the location of his farm. He found to his horror that, owing to ignorance of legal procedures, the land was still in the name of his late father. To have the records changed, another official demands Rs3,000 and there is no way Piribhu can find this.

Even if he was to raise this by borrowing from the local usurious money-lender it would still be just the start of his problems. He needs more money to bribe the clerk who seals the stamp paper on which the sale deed is to be recorded.

Then come a series of officials whom he must also bribe, led by a petition writer to write the sale deed and followed by two "lambardars" (village leaders) to sign it, an assistant to the "tahsildar" (head official of the subdistrict) to accept the deed for scrutiny, the messenger who will then carry this to the tahsildar himself.

Piribhu says this is not his only problem. One of the tahsildar's duties is to find a certain number of married people each week for sterilisation as part of his chores to carry out the national family planning policy. Before he approves the sale, he will ask Piribhu to produce five volunteers for sterilisation, each of whom will have to be paid various sums.

For a person of his limited means, the total amount in bribes is enormous and, not surprisingly, Piribhu has all but abandoned the attempt to make the sale. In any case, much of the sale proceeds would have gone in bribes and so it would not have been worth parting with the land.

The system of pay-offs down the line has been created and is perpetuated by a bureaucracy which thrives on complex rules and regulations that must be followed before any transaction can be made.

Workers on a building site at Santa Cruz, India

The system is kept alive by artificial shortages of almost every consumer item or service that is controlled by officials, nearly all of whom are insufficiently paid and who therefore supplement their incomes by accepting bribes. Bribes are demanded for giving permits for supply of subsidised milk, cement, steel, building materials and a host of other items in short supply. The shortage vanishes when money changes hands.

There is a long queue for getting a telephone connection all over India. Yet anyone can get a telephone within a week provided he makes a pay-off. The same is the case with water and electricity connections or any service for which local bodies are responsible. Seats on fully booked aircraft and trains are always available if a bribe is added. The list is almost unending and the bribes are fixed by people who have a vested interest in keeping artificial shortages going.

There is also a premium on jobs which are worth a great deal in terms of the bribes they attract and this further perpetuates the system. Police stations are "sold" to officers for prices that depend on how much the incumbent would earn in bribes. In turn, the station house officer sells "beats" to his juniors who thrive on pay-offs from shopkeepers and others in his area.

The recent liberalisation of regulations and procedures for the granting of industrial and import licences, common sources of corruption all levels, has not eliminated the pay-offs. The number of outstretched hands in the public sector may have been reduced. But the amounts demanded for individual bribes have risen.

Bérégovoy orders insider trading inquiry

By George Graham in Paris

MR Pierre Bérégovoy, the French Finance Minister, yesterday ordered the stock exchange regulatory authority, the Commission des Opérations de Bourse, to investigate possible insider trading in the shares of Société Générale, the privatised bank.

He also said he would call for a criminal investigation into possible insider trading in the shares of Triangle Industries of the US before its purchase by Pechiney, the French state-owned aluminium group, even if the commission did not do so.

The Pechiney allegations, which led to the resignation last week of Mr Beregovoy's principal adviser, Mr Alain Boublil, have already created a political storm, in part because of claims that one of President François Mitterrand's close friends was implicated.

The Société Générale issue, however, could embarrass the Government further because of controversy over the raid on the company's shares last autumn led by Mr Georges Pebereau, an investment banker. The opposition has accused Mr Bérégovoy of using Mr Pebereau to attempt a back-door renationalisation of the bank.

Mr Bérégovoy yesterday defended himself against these attacks in the finance committee of the National Assembly. He said he hoped the commission would publish its report on the Pechiney case, due to be completed by January 31.

The minister also promised to give the commission the power to conduct criminal investigations itself, as well as the right to carry out prosecutions and to impose fines.

These new powers would go far beyond the recommendations of Mr Yves Le Portz, the former commission chairman who called in a report completed yesterday for a system more closely resembling the UK's self-regulatory organisation.

Meanwhile, Mr Samir Traboulsi, a Lebanese businessman who was asked in a television interview yesterday to comment on reports that he built up a large stake in Société Générale last summer, said he had only done so on the advice of his stockbroker. He said he regretted that he had sold them at FFr430 ($69) each, given that the price later reached FFr615.

The Lebanese financier, a former aide to the Saudi businessman Mr Adnan Khashoggi and a friend of Mr Boublil's, acted as adviser to Mr Nelson Peltz and Mr Peter May, the former owners of Triangle, over the sale of the company to Pechiney.

A number of questions have already been asked in France over how Mr Pebereau accumulated a 9.16 per cent stake in Société Générale – since increased to slightly over 10 per cent – without creating major shockwaves in the stock-market.

THE LEX COLUMN

A new brand of confusion

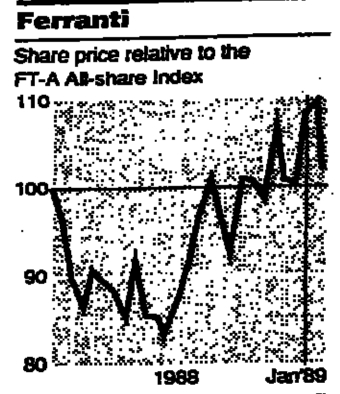
The official position on the brand valuation debate is becoming faintly absurd. Yesterday morning saw the Accounting Standards Committee strongly discouraging companies from valuing intangibles on their balance sheets before a methodology has been agreed, and simultaneously hinting that that such agreement might prove impossible. The afternoon saw the Stock Exchange announcing that intangibles can be counted for the purpose of classifying transactions, but only if they are expressly on the balance sheet. Meanwhile, Lonrho banged £117m on to its balance sheet for the Observer and other newspapers, and IBC added £15m for its stock market tipsheets, with another £12m to come for conference mailing lists.

As the ASC points out, it can do nothing to stop all this until the whole rigmarole of consultation has been gone through, and that could take years. Its chief sanction at the moment lies in the common-sense observation that brands, and other intangibles, must be assumed to have a limited life unless proved otherwise. Companies therefore risk paying a future price in the form of US-style mandatory depreciation. But then, if it takes two or three years to produce an accounting standard, the nimbler class of company might find it worthwhile to pump up its balance sheet in the meantime and reverse its policy later.

Meanwhile, the ASC is in the awkward position of defending the publication of brand information in principle, and deploring it in practice. Since many companies are plainly going to go on valuing brands regardless, the best hope is that they succeed in hammering out an acceptable method by the time the accountants catch up with them.

Telepoint

If the DTI really wants to be known as the Department of Enterprise it should have been more adventurous in awarding the licences for Telepoint yesterday. It could hardly have left out Ferranti, but the rest of the lucky winners are all members of the great and the good, and not particularly renowned for launching mass market products. Barclays, which had an unhappy flirtation with Mercury in its early days, is there, and the presence of British Telecom, even as a minority shareholder, must raise questions about the Government's commitment to improving the competitive climate.



Although forecasting the growth of mobile communications is like gambling on the Grand National, Telepoint does not look like providing its sponsors with anywhere near the same returns as Racal Telecom is enjoying with cellular radio. The capital investment is much smaller, there are four competitors rather than two, and there is an increasing chance that more competitors will begin to emerge before Telepoint reaches maturity.

Meanwhile, the Government's plans to license at least two new mobile telecoms operators by the early 1990s has considerable implications not only for the new Telepoint licensees but for everyone else from BT and Mercury to Racal Telecom. In the short term, the cellular phone operators have been helped by the increase in the number of channels; this should stem the criticism about service quality which was beginning to damage growth. However, it is clear that the Government sees the new operators competing with both cellular and the fixed network of 20m phones, and on this basis BT on 10 times earnings looks a safer bet than Racal Telecom on 43 times.

Lonrho

No one knows better than Tiny Rowland how to keep the faithful happy, and yesterday's lovely mixture of a scrip issue, a 250 per cent increase in the first interim dividend and a bucketful of optimism from the man himself seemed worth 11p on a bid-inflated share price. Whether the results justify such a package is another matter. The 12 per cent increase in profits is acceptable in a workaday sort of way, but looks a little flat in the context of the commentary. Moreover, a third of it was achieved simply by getting rid of Today, and much interest cover in year one would be only 2.1 times, and despite an extra £15m added to the balance sheet for the value of tipsheet titles, net worth comes out at a negative £3m. But even in the current year, buying in shares on a p/e of 11.1 at a gross cost of 13.5 per cent leaves earnings per share marginally ahead. In the meantime, shareholders cash in part of their holding and keep the same level of stake in a more highly geared venture. There is boundless scope for it all to go wrong, but that is what leverage is about.

As ever, much of that is guesswork: yesterday's typically scant information was spiced with a provocative refusal from Tiny to bore his investors with the numbers. Instead, his letter to shareholders reads like a defence document, and as such is surely redundant, not just because of the weak state of Mr Bond's finances. Now that investors are likely to get a return of 6.5 per cent this year on their shares, they may think even more carefully before selling.

British Steel

The selection by British Steel of the distressed Klöckner & Co as a potential takeover target shows it is prepared to take on controversy in search of a good deal. From a commercial point of view, Klöckner looks appealing both for its steel stockholding business, and because of its stake in Klöckner-Werke, with which British Steel has an important production arrangement. The German steel company naturally does not see it that way, and is already cutting up rough at the thought of a foreign competitor buying the stockholding company. Meanwhile, British Steel is showing great courage in cutting its takeover teeth with the all-powerful Deutsche Bank, especially if the latter is planning to do as well from selling Klöckner & Co as it did from rescuing it last year.

IBC

As a matter of principle, the share buy-back proposed by International Business Communications looks a very much better response to a bombed-out share price than the conventional buy-out. Some of the sums look a little hairy: on a full take-up of the tender offer of the rest by exceptional strength in car distribution. The 18 per cent rise in earnings owed much to lower tax rates, which may prove hard to sustain.

Brussels rebukes Lawson over EC plans

By William Dawkins in Brussels and Peter Norman in London

THE EUROPEAN Commission yesterday delivered a sharp rebuke to the attack by Mr Nigel Lawson, Britain's Chancellor of the Exchequer, on Wednesday night against proposals for European Community economic and monetary union.

Mr Claus Ehlermann, the Commission's spokesman, pointed out in Brussels that EC governments had called for a study into a step by step progress towards economic union at their summit at Hanover, West Germany, last June.

The study is being undertaken by a committee headed by Mr Jacques Delors, the Commission President, which is due to report in April. It will be debated again by EC leaders at their next summit at Madrid in June.

Mr Ehlermann dismissed as "unfounded" Mr Lawson's warnings that the 1992 plan for a free EC single market could become tainted with bureaucracy and protectionism. "This is to render a poor service to the European Community. It is to enfeeble it," he said. Brussels would continue to push as hard as ever for the creation of a single market.

While Mr Lawson's condemnation of moves towards economic and monetary union provoked anger in Brussels, they prompted a sympathetic echo among many of the EC central bank governors represented on the 17-strong Delors committee of EC central bank governors and outside experts.

The committee will start serious drafting of its report next month. But it is already clear that many members are wary of a rapid move towards monetary union through institutional innovations such as a Community central bank or the creation of a common EC currency in the absence of greater integration of tax and budgetary policies.

Mr Karl-Otto Pöhl, influential president of the West German Bundesbank, has warned repeatedly that the creation of a central bank and common currency should "crown" a long process of EC economic and monetary integration.

Other central bankers, notably Mr Jacques de Larosière, Governor of the Bank of France, have urged further development of the European Monetary System through a limited pooling of central bank reserves and more formalised discussion of national monetary policies among EC central banks as an evolutionary way forward to monetary union.

Editorial Comment: Page 16.

Rail tunnels planned to ease London congestion

Continued from Page 1

Bill in the House of Commons in November, providing agreement on funding can be reached.

The Government wants most of the cost to be met by passengers, through fare increases, and property owners, who would benefit from development gain.

Public funds would be made available to top up private sector contributions and fare income only in proportion to spin-off benefits such as easing road congestion.

No private sector contributions have yet been offered.

The new lines are unlikely to open before 1997, even if agreement on financing can be reached quickly.

Mr John Prescott, opposition Transport Secretary, said Mr Channon had lost a fight with the Treasury for public funding.

Mr Jimmy Knapp,. general secretary of the National Union of Railwaymen, said Mr Channon had "run away" from the solution to London's transport problems presented by the report.

Sir Robert Reid, British Rail chairman, said the report was "a good basis on which to build the next stage of detailed study."

The financing issue "will need to be resolved quickly so that we can make progress in laying down these important additions to the capital's transport infrastructure," he said.

The report says the £1.5bn improvement programme should increase station capacity on the Underground, pay for longer trains on BR's overland commuter services, and increase the number of trains through better signalling.

However, Mr Channon conceded that the programme included £400m of capital investment already included in the forward spending programmes published by BR and the Underground.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	S	12	54	Malta	F	13	55	Rhodes	S	14	57
Algiers	S	17	63	Edinburgh	C	08	46	Manchester	C	08	46	Rio de J'o	C	37	99
Amsterdam	F	00	32	Faro	F	12	54	Manila	F	31	88	Rome	F	15	59
Athens	C	08	46	Florence	S	10	50	Melbourne	S	31	88	Salzburg	S	00	32
Bahrain	F	17	63	Frankfurt	F	05	41	Mexico City	F	24	75	San Francisco	F	18	64
Bangkok	R	31	88	Funchal	S	16	61	Miami	F	24	75	Seoul	C	03	37
Barcelona	S	12	54	Geneva	C	02	36	Milan	Fg	01	32	Singapore	F	31	88
Beirut	F	16	61	Gibraltar	T	11	52	Montreal	F	-13	09	Stockholm	S	01	34
Belfast	F	07	45	Glasgow	F	08	46	Moscow	C	-7	19	Strasbourg	C	-3	27
Belgrade	C	01	34	Guernsey	C	08	46	Munich	C	-3	27	Sydney	C	25	77
Berlin	F	03	37	Helsinki	C	03	37	Nairobi	F	23	73	Taipei	C	17	63
Biarritz	S	15	59	H. Kong	C	16	61	Naples	S	12	54	Tangier	C	11	52
Bombay	S	26	79	Innsbruck	S	04	39	Nassau	F	26	79	Tel Aviv	S	17	63
Bordeaux	S	11	52	Inverness	S	06	43	New Delhi	F	23	73	Tenerife	S	20	68
Brussels	S	07	45	Islamabad	F	21	70	New York	C	08	47	Tokyo	C	08	46
Budapest	C	01	34	Istanbul	C	07	45	Nice	S	14	57	Toronto	C	-4	25
B. Aires	C	35	95	Jakarta	R	32	90	Nicosia	F	18	64	Tunis	F	15	59
Cairo	F	18	66	Jersey	S	09	48	Oporto	S	14	57	Valencia	F	13	55
Cape Town	S	27	81	Jo'burg	C	25	77	Oslo	C	03	37	Venice	S	08	46
Caracas	C	26	79	Lima	F	26	79	Paris	F	07	45	Vienna	F	01	34
Casablanca	C	14	57	Lisbon	R	13	55	Peking	S	00	32	Warsaw	C	05	41
Chicago	F	09	48	London	C	11	52	Prague	C	-3	27	Washington	C	04	39
Cologne	S	06	43	Los Angeles	F	18	64	Reykjavik	H	-1	30	Zurich	C	-2	28
Copenhagen	C	01	34	Luxembourg	S	03	37								
Corfu	S	12	54	Madrid	F	10	50								
Dallas	C	08	46	Majorca	F	16	61								
Dublin	C	11	52	Malaga	C	15	59								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

End of an era as Milken is sacked

Continued from Page 1

unusual, almost spooky, passion for control of the people he deals with. In his heyday in the early 1980s, he could indulge both urges.

Mr Milken had discovered that there was a growing appetite among investors for much riskier corporate securities than Wall Street's blue chip firms were underwriting. This was a revolutionary step because it offered small or new companies a whole new source of capital. In the early 1980s, he set off a boom in corporate takeovers by popularising the use of these junk bonds in hostile bids, leveraged buy-outs and other corporate reorganisations.

As early as 1983, SEC and Justice Department investigators suspected that Mr Milken was playing both sides of the corporate street. The burden of their case is that he used his privileged knowledge of corporate transactions as a bond underwriter to profit the firm's trading activities. And, the charges say, he abused his power to bully and defraud US corporations.

The big question is this: will Mr Milken fight or settle? People who know him say that he believes he has done nothing wrong but he could still settle. "The guy's a dealmaker, isn't he?" said a colleague. But the SEC and the federal prosecutors are unlikely to offer much of a deal unless he can implicate a more important figure, as Boesky implicated him. It is a unfortunate tribute to Mr Milken's power that nobody can think of a bigger fish for the prosecution to land than Michael Milken.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday January 27 1989

INSIDE

Canada registers new flight plan

Canadian air travellers are about to come down to earth with a bump. A deal between PWA Corporation and Wardair, creating an organisation to rival Air Canada, is expected to end 18 months of cut-throat competition and tumbling domestic air fares. It was the sheer depth of the discounting which put paid to Wardair's audacious plans to lure passengers away from the bigger airlines. Though the strategy was working, it was driving the company into the red. Page 23

French bonds fanfare falls flat

France's widely-touted effort to broaden the market for its government bonds, by packaging them into American depositary receipts to allow them to be traded on the New York Stock Exchange, has had a poor reception. According to data from the NYSE, the two separate issues of ADRs – the first ever introduced by a foreign government for its own bonds – have had only one or two trades apiece since the securities were launched with much fanfare in September 1988. Page 25

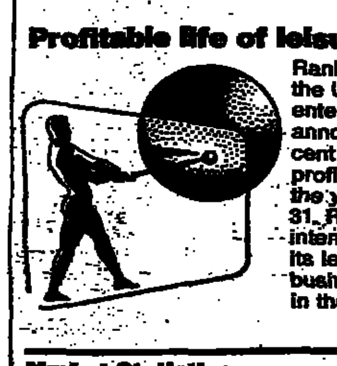
Screen stars a perfect match

From today trading in Copenhagen's bond and futures and options markets will be brought together on a single screen, as Denmark takes another step towards a full electronic market. This could be the first time the markets have been brought together in this way and "creates fantastic opportunities for dealers," according to Tyge Vorstrup Rasmussen, director of the Guarantee Fund, which supervises the futures and options market. Page 24

Finnish market woken up by restless Swedes

The Finnish market has been shaken out of its recent passivity by the liberalisation of foreign investment in Sweden. Swedish investors are flocking to Helsinki, propelling stock prices and share turnover significantly higher. Page 42

Profitable life of leisure



Rank Organisation, the UK leisure and entertainment group, announced a 22 per cent rise in pre-tax profits to £255.1m for *the year to October 31*. Rank said that it intended to expand its leisure related business, particularly in the US. Page 26

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Moscust	301	+	5.5
Viag AG Aktien	258.5	+	8.3
Falls			
Bayer Hypobank	375	–	6
Daimler	682	–	12
Deutscher Bank	537	–	10.5
Volkswagen	321.5	–	8.5

NEW YORK ($)

Rises			
IBM	125¾	+	2⅝
Champion Spark	19	+	1
RJR Nabisco	95½	+	½
Falls			
AMRE	7⅜	–	2⅛
Stone Container	33⅜	–	1¼
Tebsen	17¼	–	2¼

PARIS (FFr)

Rises			
Bertom. Serge	503	+	35.3
Fives Lille	253	+	20.5
SFIM	1749	+	103
Falls			
Epeda	1252	–	62.6
Ingenico	259	–	12.9
SCOA	65	–	2.9

TOKYO (Yen)

Rises			
Denki Kogyo	1170	+	120
Daiyo	1190	+	130
S.T. Chemical	2690	+	290
Tanikoji Mach.	1270	+	150
Falls			
Chiba Bank	1420	–	80
Michiei	1280	–	70

LONDON (Pence)

Rises			
Amstrad	174	+	9
BAT Inds.	519	+	21½
British Land	355	+	17
Cable & Wire	409	+	10
Cadbury Schw	371	+	23
Cater Allen	355	+	15
Dixons	152	+	8½
Enterprise Oil	560	+	25½
GEC	219	+	6
Greycoat	467	+	25
Helical Bar	295	+	9
ICI	1106	+	10
Lonrho	360	+	11
Magnet	276	+	14
Newman Tonks	205	+	14
P & O Defd	609	+	12
Priest, Marians	413	+	13
Rank Org	783	+	30
STC	309	+	8
Slough Estates	348	+	25
Unigate	360	+	11
Vaux	771	+	14
Falls			
Racal Telecom	242	–	5½
Rowlinson	557	–	18

Siemens hit by DM400m drop in profits

By David Goodhart in Munich

SIEMENS, the acquisitive West German electrical group, saw its operating profits slump by DM400m ($217m) to less than DM600m in 1987-88.

The company said the sharp decline was caused by an extraordinary depreciation of about DM600m arising from its US businesses.

Those businesses saw turnover climb to DM5.7bn last year and losses were cut from DM449m to DM381m.

Net profit for the group, released at the end of last year along with the dividend (DM11), and turnover (DM59.3bn), rose to DM1.4bn, up from DM1.3bn, but return on sales at 2.3 per cent was the lowest since 1983-84. Cash flow was up from DM5.5bn to DM6.8bn.

Net income was up, despite the drop in operating profits, because of higher interest income at DM1.8bn (DM1.6bn) and a lower tax bill at DM1.08bn (DM1.32bn). The company's famous cash mountain – of which about DM10bn represents pension liabilities – rose from little more than DM20bn to DM24bn. Mr Karl-Hermann Baumann, finance director, said he did not expect to be raising new capital in the near future.

The first quarter of the current year saw a 19 per cent jump in orders, but the company warns that the figure is distorted by including Bendix Electronics of the US for the first time and by a concentration of telecommunications orders.

Sales were up 9 per cent, however, with semi-conductor sales up 60 per cent. Net income was up 6 per cent on the previous year's first quarter.

Mr Karlheinz Kaske, chief executive, said group sales would be flat in the current year, but the company hoped to be spending up to DM5bn on acquisitions, a further DM4.4bn on capital investment and DM6.8bn on research and development.

Mr Kaske stressed that with 75 per cent of sales still in Europe it was imperative to press ahead with the US expansion and predicted that US sales would rise to more than $5bn in the early 1990s. The long-term aim is for the US business to be a similar size to the European business.

This was important, Mr Kaske said, not just to be close to such a huge market, but because of the increase in local content rules in the US public sector. New orders in the US businesses rose 26 per cent last year to DM5.9bn. This represents nearly 80 per cent of the company's business outside Germany.

Siemens' joint venture with IBM involving Rolm telecommunications will continue to lose money for at least two years. The company has also had difficulties with some of its semi-conductor businesses in California. But Siemens Medical Systems and Siemens Energy and Automation are both making a healthy, but undisclosed, profit.

On European acquisitions, Mr Kaske explained Siemens' interest in deals in the UK and France. He said the two countries account for 40 per cent of the European Community electrical and electronics market, but only 5 per cent of Siemens' EC business, including Germany. Europe as a whole accounts for half of Siemens' non-German business.

Mr Kaske said he had not been disappointed to hear that GEC, the UK electronics group with whom Siemens is bidding for Plessey, had recently announced joint ventures with CGE of France and General Electric of the US in sectors where Siemens is also seeking link-ups. "Everyone is talking to everyone else these days," he said.

He admitted that Siemens' recent spate of takeover activity was likely to depress earnings in the short run. But the only one of the seven divisions which is currently making a loss is components and semi-conductors, he said.

Those two divisions have now been split as part of a major reorganisation in which the seven operating groups are being redivided into 15.

The tasks of three of the corporate divisions – business administration, research and development and personnel – are also being scaled back. The final stage of the reorganisation will be announced in July.

Stone to acquire Bathurst for $2.2bn

By David Owen in Toronto and Robert Gibbens in Montreal

STONE Container, the Chicago-based containerboard and kraft paper producer, is to acquire Consolidated-Bathurst, the Canadian pulp, paper and packaging group, in a deal valued at C$2.6bn (US$2.2bn).

The move, which will create an organisation with annual sales of more than C$7bn, appears consistent with Stone's aim of becoming a multinational pulp and paper producer. The merged entity's Canadian operations will continue to be based in Montreal.

Under the terms of the proposed transaction, Stone is to offer C$25 a share for all Bathurst common and preferred stock, representing a 50-per cent premium over the recent market price.

Mr Paul Desmarais's Power Corporation, Bouverie Investments and the Kuwait Investment Office (KIO), which have combined holdings of 65 per cent of shares outstanding, have agreed to tender their stock to the Stone offer. The bid is conditional on not less than 67 per cent of outstanding shares being deposited.

Last June, the Kuwaitis bought 10.5m Bathurst shares at C$19 each.

The merger is subject to review by Canadian regulatory authorities, although Stone "does not anticipate" that obstacles will be put in its way.

According to a spokesman for Investment Canada, the agency has *"no particular concerns"* regarding the transaction. No special policies apply to foreign investment in the domestic forest products industry, the spokesman added.

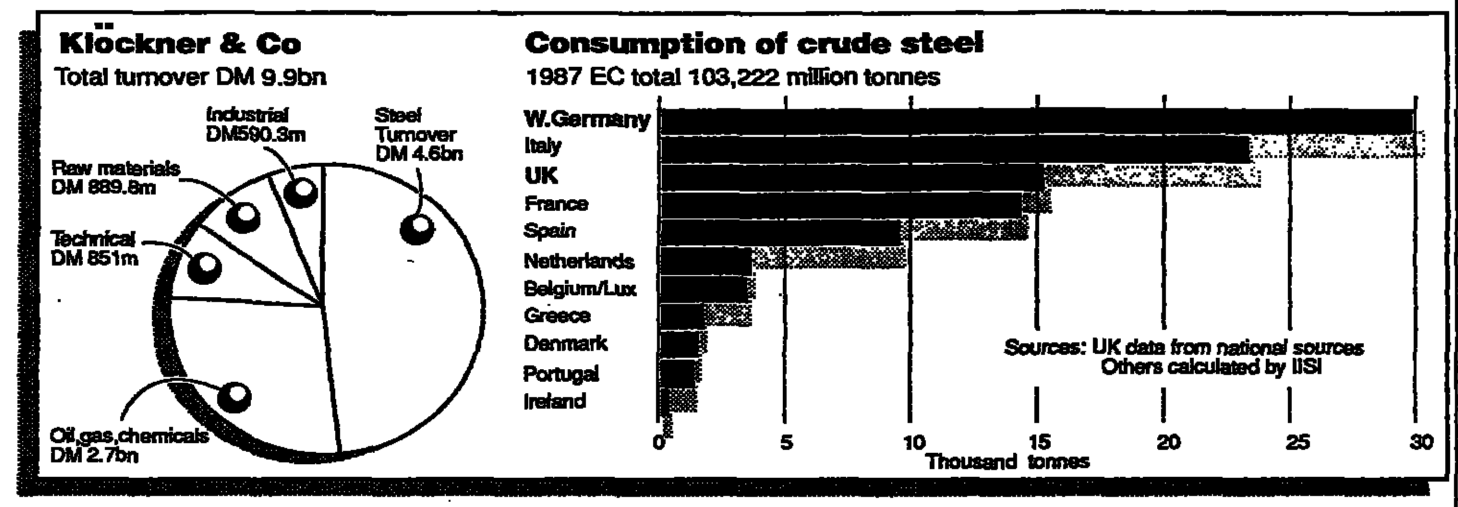
In recent years, Power has successfully steered Bathurst back towards its core pulp and paper activities, after experiencing mixed success with attempts to diversify. The company, held 40 per cent by Power, yesterday reported record earnings of C$239.6m for 1988on revenues of C$2.37bn.

Among its offshore assets, Bathurst has a newsprint mill near Liverpool and West German paperboard and carton-making facilities. The company has signed agreements to build pulp or paper mills in both China and the Soviet Union.

Stone has benefited from buoyant forest products markets, reporting record profits of C$345m on sales of C$4.4bn in the four quarters ended September 30. At June 30, the company's long-term debt totalled US$940.1m.

Why Bob Scholey is eyeing Germany

Haig Simonian and Nick Garnett on British Steel's deal talks



AT A STEELMAKERS' lunch last month in London's Park Lane, Sir Robert Scholey, the gruff chairman of British Steel, was asked whether he would like to buy a West German steel plant now his company had been privatised after 20 years in the public sector.

"I don't know about that," Sir Robert said, before breaking into a characteristic staccato burst of laughter. "Have you got any suggestions which one?"

Yesterday, British Steel acknowledged it was having talks with Deutsche Bank on the possible purchase of at least part of the once-mighty, but now humbled, Klöckner & Co.

If these bear fruit, the British company would still not have a German steel-making operation, but a stake in Klöckner, which Deutsche Bank dramatically rescued last year after disastrous oil trading losses. This would, nevertheless, give the British company a much larger role in the West German steel sector.

Klöckner's interests include substantial steel stockholding interests and, at the moment, an 18 per cent stake in Klöckner-Werke, the steel-making, plastics and machinery group.

A deal might therefore help British Steel tackle two of its biggest headaches: first, it is one of the world's most efficient steelmakers but its position in the West German steel market, the biggest in Europe, is feeble.

Second, it will be hard for it to sustain long-term growth in its cyclical industry – and thus satisfy its new shareholders following its £2.5bn flotation in December – without making acquisitions.

But it still seems a considerable way from a West German deal. Indeed, it is not clear just how committed British Steel is to the negotiations, or precisely what it might want to get out of them.

Its statement yesterday pointed out that the initiative had come from Deutsche Bank, seeking long-term investors in Klöckner, which had approached both it and other potential investors. These are believed to include Fiat, the Italian motor manufacturer.

At the same time, there would be considerable domestic opposition to any deal involving British Steel. This would be spear-headed by Mr Herbert Gienow, chief executive of Klöckner-Werke, who yesterday broke the news of the talks in an evident attempt to scupper them.

He said he was opposed to any sale to another steel producer and pointed out that Klöckner-Werke marketed much of its steel output through Klöckner & Co. A takeover by a competitor would cause "extraordinary disruption" to this link, he said.

Klöckner & Co also owns 40 per cent of Klöckner-Humboldt-Deutz, the machinery and engine maker, which consumes a lot of steel. However, Sir Robert Scholey said last year that British Steel's policy would be to avoid diversification into businesses with which the group was unfamiliar.

Whatever British Steel's intentions, it is certainly keen for a larger role in the German steel market. The company may be the world's fourth-biggest steelmaker, producing 14.7m tonnes last year, and be at the top of the profit-making league, but it has a skimpy two per cent share of the Continental European market.

West Germany accounted for 29m tonnes of the 103m tonnes of steel consumed in the European Community in 1987, twice the size of the UK market.

British Steel has contracts with Opel, BMW and Volkswagen, but these are small. Nor are its German stockholding interests large. It has three operations, two of which, Fischer Profil and Eisen Werner, it has purchased in the past two years. West German analysts were surprised yesterday that Klöckner & Co might be up for sale quite so soon.

When the group announced its troubles in early October, Deutsche Bank – which pumped in DM400m ($222m) of new capital – emphasised it did not see itself as a long-term owner. But many observers suggested a recovery period of a few years, pointing to the example of the former Flick industrial concern, which the bank bought from its family owners and, after a lag, subsequently floated at great profit on the stock exchange.

Yesterday's news suggests that many underestimated the basic soundness of Klöckner & Co's business. The group's domestic sales, excluding oil trading, rose 7 per cent to DM6.6bn in the first nine months of last year.

Pre-tax profits, excluding oil trading, more than doubled, it said, although no figures were released. In 1987, net domestic group profits fell by 69 per cent to DM8m against DM25.6m the previous year.

The bank has been actively guiding Klöckner & Co's affairs since October with new management, not least to the company's troubled oil trading desk. Meanwhile, Mr Ulrich Cartellieri, a managing board member of the bank, is now chairman of Klöckner & Co's supervisory board.

British Steel has had contacts with Deutsche Bank for many years. But the current talks may have got moving in December, when the bank hosted the company's presentation of its flotation in Frankfurt.

But the hurdles to any deal remain numerous. Deutsche Bank has run into stiff domestic opposition following the Klöckner & Co rescue, not least from disgruntled holders of the company's profit participation certificates. These are now valueless, although a future settlement has not been ruled out.

Lonrho in controversy over boost to balance sheet

By David Waller in London

LONRHO, the London-based multinational headed by Mr Tiny Rowland, *yesterday stepped into* fresh controversy as it released its profit figures for 1988, taking the contentious step of assigning a value in its accounts to its newspaper titles – which include *The Observer and the Glasgow* Herald.

The move has boosted its balance sheet by £117m, ($207m)just under 10 per cent of shareholders' funds at the end of the financial year.

Lonrho said that the value of its newspaper business as a whole was substantially more than this, stoking up a debate over the break-up value of the company which started when Mr Alan Bond, the Australian entrepreneur, built up a 21 per cent stake in the group last year.

At the same time, the company yesterday reported pre-tax profits up 13 per cent to £225m, about £5m above analysts' projections. The shares rose 11p to close at 360p.

Lonrho's balance sheet step comes amid a crisis debate in the accountancy profession over the way in which companies value intangible assets such as brands. *Only yesterday, the Accounting* Standards Committee put out a provisional statement, discouraging companies from incorporating revaluations of intangible assets in their balance *sheets at present*.

Mr Paul Spicer, a Lonrho director, said that Standard Chartered bank had conducted the revaluation "in line with standard practice within the newspaper industry." This would be to assign a value to the title on the basis of several factors such as turnover and readership.

This policy of revaluation from a standing start has been followed by several international publishing groups, including News International, and by United Newspapers, which in 1984 set a value of £133m on a number of its titles.

But other UK publishing companies have so far included the value of a masthead in the balance sheet only when acquiring a newspaper.

The practice has the advantage that the asset value never dwindles. As it is deemed that the title has an infinite life, there is no need to depreciate and there is no impact on the profit and loss account.

As usual, Lonrho's results gave no detailed operational breakdown at this stage. However, investors were given to understand that profits from mining and hotels were down slightly, whereas there had been growth across all the other businesses. Turnover rose by 17 per cent to £4.22bn.

The company surprised the City with a first interim dividend of 3p a share (against 1p a year ago), on top of the final dividend of 8p, and a 1-for-5 bonus issue.

Earnings per share rose by 16 per cent to 30p, reflecting a lower tax charge.

Mr Rowland, who has been battling in the courts in recent weeks against the Government and its handling of the House of Fraser takeover, sounded a particularly optimistic note for the current year's trading. "The outlook is astonishingly good," he said.

Lex, Page 18

IBC offers to buy in shares

By Clay Harris

INTERNATIONAL Business Communications (Holdings), a UK newsletter publisher and conference organiser, *yesterday* broke new ground in the London market by offering to buy in 40 per cent of its shares at a fixed price.

The proposal is a novel twist to the recent spate of proposed and successful efforts by UK managements to take their companies private.

It was intended, IBC said, to *enhance earnings growth by* replacing equity with debt.

Unlike management buy-outs, however, IBC suggests that its scheme will allow all shareholders *to share* equally in future growth, as the company will retain its listing.

Subject to the 40 per cent limit, IBC said it would pay 150p for each share tendered to it by February 10.

A fully subscribed offer would require IBC to pay some £37.2m. IBC shares closed 15p higher at 188p.

IBC's offer is the first on-market tender at a fixed price to be attempted by a UK company.

Mr Michael Bell, IBC chief executive, said the proposal would allow shareholders to realise part of their holdings, while keeping a proportionate interest in the company. "This allows them to sell some and keep some, which many will probably do," he said.

IBC also estimated pre-tax profits of at least £13.25m for 1988, more than double the £6.36m reported in 1987.

Lex, Page 18; Background, Page 28

INTERNATIONAL COMPANIES AND FINANCE

Operating expenses hold back Delta Air

By Roderick Oram

DELTA AIR LINES, the third largest domestic US carrier, has reported lower second-quarter earnings, with increased operating expenses offsetting positive factors such as its takeover of Western Air Lines.

Net profits for the three months ended December 31 slipped to $85.2m or $1.73 a share from $88.3m or $1.82 a year earlier. Revenues rose by 9.3 per cent to $1.86bn from $1.7bn.

Operating expenses increased 11.5 per cent, reflecting in part a 14 per cent increase in salaries and other employment costs because of a 9 per cent advance in the average number of employees working during the quarter. Fuel costs fell by $35m to $220m.

Revenue passenger miles rose 11 per cent to 12.8bn. The load factor increased to 56.91 per cent from 54.32 per cent a year earlier.

Passenger yield per mile fell by 1 per cent, pushing Delta's break-even load factor to 52.96 per cent, from 49.42 per cent.

AT&T suffers first annual loss after $6.7bn writeoff

By Roderick Oram in New York

AMERICAN Telephone and Telegraph, the dominant US long-distance telecommunications company, has reported the first annual loss in its 103-year history after taking a $6.7bn pre-tax writeoff for outdated equipment.

Without the previously announced charge, reflecting the group's accelerated conversion to digital fibre optic transmission systems offering lower costs, better quality and more services, AT&T showed further moderate growth in the face of increasing competition.

Its fourth-quarter net loss was $3.34bn or $3.11 a share, against a net profit of $496m or 46 cents a year earlier. The full-year loss was $1.67bn or $1.55, against a profit of $2.04bn or $1.88.

The $6.7bn pre-tax charge reduced fourth-quarter net income by $3.94bn. Without it, AT&T would have reported net profits of $593m or 55 cents and $2.27bn or $2.11 in the quarter and year respectively.

Revenues rose by 6.4 per cent in the quarter to $9.21bn from $8.65bn a year earlier and for the year by 4.3 per cent to $35.21bn from $33.77bn.

Administrative, general and selling costs rose faster than revenues at a rate of 8.8 per cent for the full year. AT&T said higher costs stemmed largely from sales and sales support activities, and spending on enhanced billing, customer account service and inquiry systems. The company expects cost to grow more slowly this year.

Service revenues rose 5.1 per cent during the year on the back of a 5 per cent growth in long-distance calling volumes, led by international and residential services.

Decline in Activase sales hits Genentech

By James Buchan in New York

GENENTECH, the world's leading specialised biotechnology company, recorded a loss of $15.4m in the December quarter because of disappointing sales of Activase, the company's new heart drug.

The result was expected on Wall Street after the company warned analysts last month that Activase was meeting resistance among hospital buyers. The drug dissolves blood clots that lead to heart attacks.

Genentech, which is based just outside San Francisco, had forecast it would lose between $14m and $16.5m. In the final quarter of 1987, when Activase was introduced in the US, the company earned $27.2m or 32 cents a share.

Sales in the 1988 quarter fell from $96.5m to $89.5m but the main reason for the loss was a special charge of $23.3m to cover the cost of replacing Activase unsold at the end of its shelf life.

In spite of the sales slowdown, Activase enjoyed a respectable year with revenues of $151.4m against $55.8m in 1987. Genentech's other main drug, a growth hormone called *Protopin*, increased its sales from $85.6m to $111.1m.

The two drugs boosted annual revenues from $230.5m to $334.8m, but rising costs and the special charge cut earnings from $43.9m or 50 cents a share to $23.1m or 24 cents.

American Express licence plan angers Canada banks

By Robert Gibbens in Montreal

MR Michael Wilson, the Canadian Finance Minister, has turned a deaf ear to objections raised by Canadian chartered banks to his preliminary approval of a banking licence for American Express Company.

After meeting bankers in Ottawa, Mr Wilson said that allowing American Express to operate in Canada as a Schedule B bank and to develop its credit card, travel services and direct sales business would encourage competition. No change in the Canadian Bank Act was needed.

As a condition, American Express Canada would wind down its Canadian car leasing business and accept limits on its travel services and merchandising operations, he said.

About 60 Schedule B banks operate in Canada. They are mainly foreign-owned and concentrate on wholesale banking services.

Mr Warren Moysey, president of the Canadian Imperial Bank of Commerce and chairman of the Canadian Bankers' Association, said the CBA would file an objection to the decision with the Superintendent of Financial Institutions in Ottawa. The superintendent can institute a public inquiry if he considers it to be in the public interest.

Mr Moysey pointed out that American Express did not hold US banking status, and approval of a Canadian licence would open the door for Sears, Roebuck and General Motors, which operate large credit-card and sales-financing operations in Canada, to gain Schedule B licences.

He said the Canadian chartered banks, subject to full federal regulation, would demand powers to engage in other businesses if American Express received final approval.

BCE slips after heavy charges

By Robert Gibbens

BCE, the holding company which controls the regulated Bell Canada telecommunications group and many non-regulated businesses, saw earnings fall last year after several heavy special charges.

Income was reduced to C$887m (US$751.6m) or C$3.09 a share, from C$1.09bn or C$3.91 in 1987. Revenues climbed to C$15.2bn from C$14.7bn in 1987.

Fourth-quarter profit was also affected. Income fell to C$123m or 42 cents from C$340m or C$1.22 a year earlier on revenues of C$4bn against C$3.8bn.

The special charges taken in the fourth quarter reflected writedowns by the 52 per cent-owned Northern Telecom, which amounted to C$242m for restructuring; C$72m by Trans-Canada Pipelines to cover lower values of oil and gas properties; and C$97m by other subsidiaries

Bell Canada, fully-owned, had net profit of C$793m in 1988 from C$731m in 1987, accounting for C$2.66 a share of BCE, against C$2.61. Northern Telecom's contribution to BCE was 37 cents a share, against 84 cents.

Sharp gains for media groups

By Anatole Kaletsky in New York

TIME INC and MCA, two big US media groups, reported strong revenue and income gains in the fourth quarter, with particularly good results from filmed entertainment, cable and book publishing businesses.

Time made a net profit of $58m or $1.01 a share in the fourth quarter, compared with $52m or 88 cents a year ago. In the full year, it earned $289m or $5.01, compared with $250m or $4.18. The year's revenues increased by 7 per cent to $4.5bn.

Results for the quarter included a pre-tax charge of $35m to reduce the carrying cost of satellite investment, while the year-ago figure included several gains totalling 8 cents a share after tax.

Time said that excluding the non-recurring items, its full-year earnings per share would have been up 38 per cent.

Annual operating profits in the magazine division grew by 1.4 per cent to $287m. Book publishing profits increased by 18 per cent to $104m while income from TV programmes, mainly from the Home Box Office subsidiary, rose 21 per cent to $151m, excluding the negative effects of the $35m satellite charge.

Income from cable television increased by 17 per cent to $176m, including the effects of a one-time charge in the third quarter.

MCA increased its quarterly net income almost threefold to $75.7m or $1.04, compared with $21.8m or 30 cents a year ago. Its annual profits grew to $164.9m or $2.26 a share, compared with $137.3m or $1.82. Full-year revenues grew 17 per cent to $3.02bn.

The filmed entertainment group, including the Universal film business, reported a 45 per cent advance in annual operating profits to $236.1m.

Income from music entertainment advanced by 48 per cent to $60.5m and book publishing showed a 28 per cent gain to $23.3m. Profits from broadcasting and cable jumped to $12.9m from $3.7m, partly as a result of an accounting change involving USA Network, a 50 per cent-owned associate.

Dow Jones & Co, publisher of the Wall Street Journal, saw net income in the fourth quarter fall to $43m or 43 cents from $50.3m or 52 cents on revenue of $413m against $417.2m.

The year net came out at $228.2m or $2.35, up on the previous year's $203m or $2.1. Revenue rose $1.6bn from $1.3bn.

Earnings last year included after-tax gains of $68m, largely from the sale of the Richard D. Irwin publishing unit. In the first quarter of 1987, the company recorded a non-recurring after-tax gain of $29.4m.

Excluding these transactions, the year's earnings were $160.1m or $1.65, compared with $173.7m or $1.80.

Procter & Gamble jumps 25%

By Karen Zagor in New York

PROCTER & Gamble, the US soap and consumer products group, reported a 25 per cent rise in second-quarter earnings, further cementing its recovery from a mid-1980s profit slide.

The Cincinnati-based group reported a net profit of $325m or $1.92 a share compared with $261m or $1.52 the previous year. Sales rose 8.9 per cent to $5.27bn from $4.84bn.

For the six months, P&G profits rose 17.5 per cent to $725m or $4.28 from $617m or $3.61.

Sales for the period increased by 10.9 per cent to $10.53bn from $9.5bn. The group gave no indication of the reasons for its improved results.

P&G recently announced a so-called leveraged employee stock ownership plan which will borrow $1bn over 15 years to buy the group's stock. The scheme is intended help shield the company from hostile takeovers as well as improving employee retirement benefits.

The company said the stock ownership plan would take the employee stake in P&G, seen as a takeover target during its sluggish performance a few years ago, from 14 per cent to 20 per cent.

Shares in P&G were trading at $88¾, up $¾ following the release of the results.

Campbell Soup advertisements face complaint

THE US Federal Trade Commission has issued an administrative complaint charging Campbell Soup, the US foods group, with making deceptive and unsubstantiated claims in advertisements for its soups, Reuter reports.

The complaint said the Campbell advertisements linked the low fat, low cholesterol content of its soups with a reduced risk from some forms of heart disease. However, they failed to disclose the soups had a high sodium content, which could increase the risk of heart disease.

The company's failure to make this disclosure was deceptive in light of the representations made, the FTC said.

Campbell said it would appeal against the complaint. "We stand behind our advertising," an official said.

Bid speculation boosts Champion stock

By Anatole Kaletsky

SHARES IN Champion Spark Plug rose yesterday following speculation that a Japanese or European company may top Dana Corporation's $17.50 a share bid for the Ohio-based motor components manufacturer. Champion's shares rose 50 cents to $18¼ in early trading on Wall Street.

The cash and securities offer from Dana, another Ohio-based motor components manufacturer, is worth about $605m.

There had been considerable speculation about Champion's future in recent weeks, following reports of disagreements among the Stranahan family, descendants of the company's founder, who control about 35 per cent of the common stock. Wednesday's announcement followed a meeting last week of Chinook Partners, an investment partnership formed by the Stranahans.

NEWS IN BRIEF

● TEXACO, the US oil group, showed net profits last year of $1.03bn or $5.35 a share, against losses of $4.14bn or $17.03 in 1987. Revenues were $35.1bn against $35.3bn.

Fourth-quarter profits were $296m or $1.21 a share, against a loss of $4.67bn or $19.24 a year earlier.

However, year-ago annual and quarterly figures included net charges of $2.05bn related to assets writedowns and $2.79bn attributable to the Pennzoil settlement.

● SQUIBB, the US pharmaceuticals manufacturer, reported a record year, with net income advancing to $425.5m or $4.30 a share, from $358.4m or $3.42 in 1987. Sales were up at $2.6bn from $2.2bn.

In the fourth quarter, net income rose to $97.5m or $1 a share from $84.8m or 81 cents, on sales climbing to $664.8m against $592.6m.

Sales of Capoten, the group's cardiovascular product line, exceeded $1bn for the first time, and its worldwide sales of pharmaceutical products reached $2.2bn.

● TW SERVICES, the US food services company, recorded a jump in net income in the fourth quarter, to $17.2m or 35 cents a share from $5.6m or 12 cents last time.

In the year-ago quarter, however, the company took a $9.3m charge for the write-down of assets under lease to a third party and for takeover-defence costs. Revenues rose to $945.5m, against $870.3m.

Net income for the full year increased to $66.9m or $1.36 from a final net of $47.2m or 97 cents in 1987. Sales advanced to $3.6bn from $2.5bn.

● USAIR GROUP, the airline which undertook an aggressive acquisition programme in 1987, saw fourth-quarter profits fall after substantial charges. Net income for the quarter was $22.8m or 53 cents a share, against $26.7m or 62 cents on revenues at $1.5bn, from $1.1bn last time.

The latest quarter includes a $33m pre-tax writedown to reduce the company's investment in its BAC 1-11 aircraft and related spares to estimated net realiseable values, and $23.6m in non-recurring merger related charges.

The year's net came out at $165m or $3.81, compared with $194.6m or $5.28, while revenue jumped to $5.7bn, against $3bn.

● SARA LEE, the US foods group, advanced strongly in the second quarter, lifting net income to $137.3m or $1.19 a share, against $99.1m or 88 cents on sales up to $3bn from $2.6bn.

At the six-month stage the group advanced to $212.8m or $1.84, compared with $161m or $1.42 on sales of $5.8bn, against $5bn. The result includes a non-recurring gain of 10 cents a share, reflecting the sale of several businesses.

● HYUNDAI Motor America expects its US sales to rise by 13 per cent to about 300,000 cars this year. The entire increase will come from the new mid-size Sonata sedan, with sales of the Excel subcompact expected to fall to about 220,000 cars.

Last year, just over 264,000 Excels were sold.

Bond suspends payments from Kalgoorlie interests

By Our Financial Staff

MR ALAN BOND has suspended dividend payments from his main Kalgoorlie gold mining operations in Western Australia as he prepares to create one "super pit" from the residue of the area's so-called Golden Mile.

Gold Mines of Kalgoorlie (GMK) is dropping its payout to shareholders for the six months to last December. Earlier this month, the company, which paid 6 cents a share for the same period of 1987, unveiled a A$260m (US$230m) reverse takeover offer, all in shares, for North Kalgurli Mines (NKM), which owns fractionally more than half of GMK.

NKM stopped paying dividends a year ago, but the directors said last February that the position was to be reviewed in the half-year just ended, "based on operating results."

Yesterday they were able to report a 69 per cent interim improvement in consolidated net operating profit to A$33.1m. They added, however, that they had decided "not to declare a dividend during the present period of expansion at Kalgoorlie."

At GMK the dividend omission was attributed to these moves and a fall in net profits to A$2.7m from A$8.4m. GMK is offering one of its own shares for each three in NKM. This is the first stage of a plan which will lead to a single operation run jointly with the US-controlled Homestake Australia.

NKM and its subsidiaries produced 144,604 oz gold in the six months, up 30.2 per cent.

Strong advance at Jefferson Smurfit

By Maggie Urry

JEFFERSON Smurfit Corporation, the 78 per cent-owned North American subsidiary of Jefferson Smurfit Group, the largest paper-based packaging group in the world, recorded a 57.1 per cent increase in net income last year to $144.5m.

The group said demand for its products remained strong and price increases were being implemented early this year. Income per share was $3.72, up from $2.39. Sales in the year rose by 14.2 per cent to $1.3bn.

In the fourth quarter, net income reached a record level for the twelfth consecutive quarter. Fourth-quarter sales rose 7.5 per cent to $812m and income by 25.4 per cent to $39.3m.

INTERNATIONAL COMPANIES AND FINANCE

Kaufhof likely to raise dividend

By Andrew Fisher in Frankfurt

SHAREHOLDERS in Kaufhof, one of West Germany's leading department store and specialised retail groups, are likely to receive a higher dividend after a slight rise in net profits for 1988, Mr Jens Odewald, chairman, said.

Although business for the full year did not match the high expectations of early months, Kaufhof would still improve a little on the record 1987 result of DM94m after tax. This was 22 per cent higher than the 1986 figure. Start-up costs of new operations fell from DM54m in 1987 to DM42m and would drop further in 1989. But depreciation was DM30m higher last year.

Commenting on dividend prospects, Mr Odewald said: "There is a chance that we shall go higher." Last year, the payment was unchanged at DM8 per share.

Turnover in 1988 was up by 17 per cent at DM11.6bn ($6.3bn), with department stores contributing a virtually unchanged DM5.3bn. As for prospects in 1989, he said he was "cautiously optimistic."

Mr Odewald said the second half of 1988 had been disappointing, noting that textiles, accounting for two-fifths of group business, had been flat. Tourism also lost some of its buoyancy. But Kaufhof is still expanding here, having just paid some DM75m for a large minority stake in Sun International, a leading Belgian travel agency.

Also reporting figures yesterday was the rival Karstadt concern, which said profits would be lower because of reorganisation costs. In 1987, group earnings soared by 75 per cent to DM172m. Turnover last year rose by 5 per cent to DM14.3bn, including DM1.8bn from the Neckermann mail order subsidiary which grew at the same rate.

● Allianz Lebensversicherungs, West Germany's largest life insurer, said it would pay an unchanged DM9 dividend per share for 1988. In a shareholders letter it spoke of a "good profits situation."

Framatome takes control of Souriau from family

By George Graham in Paris

FRAMATOME, the French nuclear plant builder, announced yesterday that it had reached agreement to take full control of Souriau, the leading French electrical and electronic connections manufacturer, from its controlling family shareholders.

The nuclear group has at last persuaded the Souriau and Charles families to sell their 53 per cent stake in Souriau. It will add this to 40 per cent it already owns through accumulated purchases in the market in the past year.

Framatome said yesterday that it would make an offer for the outstanding 7 per cent through the Paris stock exchange's price support procedure. At Souriau's suspended price of FFr810 a share, the company is valued at FFr1.21bn ($193m).

Souriau, which is Europe's leading producer of electronic and optical connectors, matches closely the US group Burndy, which Framatome agreed in December to acquire for $325m.

Framatome has also acquired the much smaller French electrical connections company Jupiter.

The group's three acquisitions between them had sales of around FFr3.5bn in 1988, some 5 per cent of the world market for electrical connectors.

● Teijin, the Japanese textile producer said it is negotiating links with a number of French apparel makers, including Devernois, in the men's and women's clothing business, Reuter reports from Tokyo.

Phelps Dodge, Asarco ahead

By Anatole Kaletsky and James Buchan in New York

PHELPS DODGE, the biggest US copper producer, increased its underlying net profits by 62 per cent in the fourth quarter and more than doubled profits in 1988 as a whole.

Earnings were also up sharply at Asarco, the US copper, silver, lead and zinc producer, which boosted fourth-quarter profits from $55.8m or $1.27 a share to $73.1m or $1.74.

At Phelps Dodge, earnings were $140.6m or $4.46 a share for the quarter and $420.2m or $13.15 for the year. This compared with quarterly net income of $86.3m or $2.68 in 1987, excluding an extraordinary gain of $19.1m. Profits for the previous year amounted to $150.6m or $4.62, excluding extraordinary benefits of $55.1m.

The latest quarter's income would have been still higher but for a $50m pre-tax charge for expected closure costs of obsolescent facilities. The previous year's final quarter included $15m in charges and unusual items.

Sales were 86 per cent up in the latest quarter to $686.2m and 44 per cent up for the year to $2.32bn.

At Asarco, profits for the year were $207.2m or $4.92 a share, down from $256.6m or $6.70. However, the 1987 net included a gain of $212.8m for sale of shares in MIM Holdings of Australia.

Earlier this week, the company announced it was raising its quarterly dividend from 20 cents to 30 cents a share.

At Newmont Mining, the US gold and coal producer just under half owned by Consolidated Gold Fields of the UK, has swung back into operating profit thanks to higher gold production and a cut in its heavy interest bill.

The company, which through its Newmont Gold subsidiary is the largest US gold producer, said fourth-quarter pre-tax earnings from continuing operations were $26.4m, which compares with a loss of $7.9m in the 1987 period.

In the latest quarter, a special gain of $27.1m was booked from the sale of various assets to reduce debt. For this reason, net income was $53.4m or 79 cents a share against $4.1m or 6 cents a year ago.

Sales rose from $100.9m to $152.3m. This was partly because of a big drive to increase production at Newmont Gold.

High prices lift metal groups

By David Owen in Toronto

FALCONBRIDGE, the Toronto metals group, and Cominco, the Vancouver resources concern, have reported record fourth-quarter profits spurred by higher metal prices and buoyant markets.

Falconbridge, in which Noranda, the Canadian resources company, recently accumulated a 20 per cent stake, said net earnings totalled C$124m (US$105m) or C$1.88 a share, compared with C$43m or 61 cents a year earlier, reflecting buoyant markets for nickel and zinc. Quarterly revenues advanced to C$658m from C$433.9m.

For the full year, the company had income of C$341m or C$4.57 a share on revenues of C$2.12bn, against C$73m or C$1.03 on revenues of C$1.34bn. The year-ago figure includes a C$43m extraordinary gain on the sale of Western Platinum.

Output from the group's refineries at Kristiansand and Kidd Creek reached record levels in 1988, as did nickel shipments from its Falconbridge Dominicana unit, the company said.

Falconbridge is a possible participant in the forthcoming auction for the Nonoc nickel facility in the Philippines scheduled for February 2. Mr William James, the Falconbridge chairman, this week confirmed that the company was pondering whether to make a bid.

One possible complication is that the agency to market material produced at the plant is in the hands of Marc Rich, the Swiss-based commodities trading firm.

Cominco said higher sales prices for zinc and copper and higher sales volumes were responsible for the rise in fourth-quarter earnings to a record C$85.2m or C$1.05 a share before extraordinary items from C$49.7m or 64 cents in 1987.

Fourth-quarter sales rose to C$505.4m from C$397.8m. The mining and integrated metals segment doubled its operating profit to C$165.7m from C$88.5m in 1987.

Mr Bob Hallbauer, president, said the strength of the Canadian dollar against its US counterpart had harmed sales.

Volkswagen appoints new US chief

By Our Financial Staff

VOLKSWAGEN, the West German motor group, has appointed Mr William Young as head of its US operation, Volkswagen of America, with effect from February 1.

He replaces the late Mr James Fuller, who was killed in the crash of Pan Am flight 103 in Lockerbie, Scotland, last month. The crash also killed Mr Lou Marengo, head of marketing for VW's US operations.

Mr Young comes back to VW after 5½ years of running his own Californian-based consultancy company to the vehicle industry. He previously was with Volkswagen from 1971 to 1983.

Separately, VW said it would reorganise management of its truck and commercial vehicle operations and cut jobs.

Golden Dumps slides deeper into red

By Jim Jones in Johannesburg

CONSOLIDATED Modderfontein and South Roodepoort, the two gold mines managed by the Golden Dumps group of South Africa, slipped further into the red during the December quarter as gold production and recovery grades again failed to match management's expectations.

Both mines have been cutting their milling rates to concentrate on exploiting smaller tonnages of richer ore. But this failed, and capital spending has been cut sharply.

New managers have been appointed at the mines and the directors say they have identified incorrect mining methods and that these have been addressed.

They say underground production was affected by poor morale after a quarter of the mines' workforces had been retrenched.

GOLDEN DUMPS GOLD QUARTERLIES

	Gold produced (kg)		After-tax profit (Rm)		Earnings per share (cents)	
	Dec 88	Sep 88	Dec 88	Sep 88	Dec 88	Sep 88
Cons Modder	526	602	(2.95)	(0.96)	(10.9)	(7.3)
South Rood	197	280	(1.84)	(0.01)	(13.4)	(8.0)

Earnings per share calculated after tax and capital expenditure. Parentheses = negative

Acquisitions boost group turnover at Nestlé

By John Wicks in Zurich

GROUP turnover of Nestlé, the Swiss-based foodstuffs concern, rose by more than 15 per cent last year to a record SFr40.6bn ($26.1bn).

This follows a 7.4 per cent decline in sales in 1987 to SFr35.24bn due to unfavourable exchange rates and a fall in the price of green coffee.

According to the parent company in Vevey, the 1988 improvement was the result in part of the consolidation of the Buitoni and Rowntree companies on July 1.

Sales volume also rose well "in almost all product categories and in all geographical areas."

Nestlé expects a higher consolidated net profit than in 1987, when group earnings were up 2.1 per cent to SFr1.82bn.

Full-profit figures and a proposed dividend are to be announced in March.

● Sika, the Swiss-owned building chemicals specialist, increased group turnover by 15.4 per cent last year to a record SFr865m ($552.2m), from SFr749.5m in 1987.

Sika Finanz, the Baar-based parent company, forecasts sales will this year be "near the billion mark."

The 1988 growth resulted from a "gratifying expansion of production and sales" and was largely unaffected by acquisitions.

All markets except West Germany contributed to this internal growth, which came from the sale of chemicals and special construction activities.

In 1987 group earnings had risen by 29.3 per cent to SFr22.5m.

● Ares-Serono, the Swiss-based pharmaceutical concern which reports in US dollars, recorded a 28 per cent rise in 1988 group sales from $327.8m to $420.3m.

Within this, sales of prescription pharmaceuticals were up from $279.9m to $353.2m and those of diagnostics from $38.2m to $58.1m, with over-the-counter pharmaceuticals accounting for $9m against $9.7m in 1987.

LVMH to raise interim payout

By Our Financial Staff

MOET Hennessy-Louis Vuitton (LVMH), the French champagne and luxury products group, has announced an upward revision of its provisional 1988 consolidated revenue and said it plans an interim dividend of FFr12 a share, against FFr9 in 1987.

LVMH said the revision takes its consolidated revenue for the year to FFr16.44bn ($2.63bn), up slightly from the FFr16.3bn it estimated on January 5 and up 24.1 per cent from the FFr13.2bn in 1987.

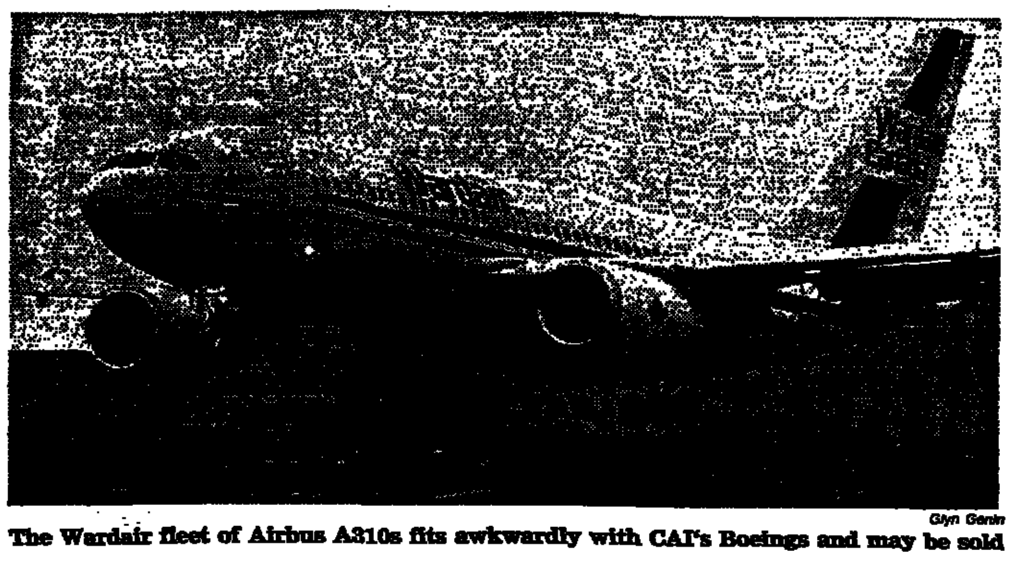
LVMH did not announce any upward revisions of its January 5 estimate for earnings, which showed consolidated net profit for the year rising about 50 per cent from the FFr1.34bn *it earned in 1987.*

LVMH recently underwent a hotly contested internal struggle.

INTERNATIONAL COMPANIES AND FINANCE

Canada air deal may end price war

David Owen on the thinking behind PWA's takeover of Wardair



Glyn Genin

The Wardair fleet of Airbus A310s fits awkwardly with CAI's Boeings and may be sold

In 1946 Mr Russell Baker, an obscure bush pilot, launched Pacific Western Airlines, a company whose primary function was to fly forest-fire patrols for the British Columbia government. About the same time Mr Maxwell Ward was exploiting another niche market: transporting war-brides across the Atlantic.

PWA Corporation and Wardair – the latter-day manifestations of these pioneering enterprises – went on to become the main competition to the state-controlled Air Canada in the increasingly deregulated domestic marketplace.

Now PWA, the parent of Canadian Airlines International (CAI), is to swallow its smaller Edmonton-based rival. To the chagrin of consumers, the deal is expected to bring down the curtain on an 18-month period of cut-throat competition and tumbling ticket prices on Canadian routes.

It was the sheer depth of the discounting that put paid to Wardair's audacious plans to lure passengers away from the bigger airlines through a combination of lower prices and better service. Though the strategy was working, it was driving the company into the red.

"Frankly, we just did not have enough money to hold out for another year to a year and a half," said Mr Ward who is to remain chairman of Wardair under PWA's ownership while relinquishing his post as chief executive to PWA's Mr Rhys Eyton.

The former charter airline was further handicapped by having to cobble together a reservation system, and by its lack of a captive network of commuter airlines to feed passengers to its longer-haul flights. Since deregulation, Air Canada and CAI alike have taken controlling equity stakes in the main regional carriers, while concentrating their own efforts on servicing major Canadian cities and adding international routes.

The C$248m (US$209m) transaction will create an organisation of similar size to the recently part-privatised Air Canada. PWA and Wardair had aggregate revenues for the first nine months of last year of C$2.2bn, against C$2.62bn for the Montreal-based market leader. Air Canada controls about 52 per cent of the domestic market, against 48 per cent for the combined CAI-Wardair.

What is more, the two fully private airlines have been gaining ground, aided by Air Canada's restricted access to capital. Prior to the merger, they were adding seats so fast that they were expected to overhaul Air Canada in terms of overall seat capacity (16,650 to 16,200) by the end of this year.

In at least one respect, however, the post-deal PWA will be at a marked disadvantage to its remaining rival. The company will be attempting to carry a

The C$248m transaction will create an organisation of similar size to the recently part-privatised Air Canada which controls about 52 per cent of the domestic market

debt load of C$1.5bn, according to analysts' preliminary calculations, on a C$600m equity base. This will make it nearly twice as highly leveraged as Air Canada. "I would not be totally comfortable with that debt load," says Mr Frederick Larkin, an analyst with Alfred Bunting.

In the longer run, PWA executives have hinted, they would like to ease the position by issuing fresh equity. Market reaction to the deal appears likely to facilitate such a strategy. Shares both in Air Canada and in PWA responded very positively to the news. Canadian airline stocks have been trading at a marked discount to book value since the industry's war of attrition began.

More immediately, attention is likely to focus on cutting costs and improving cash flow. About one third of Wardair's 4,500 staff can expect eventually to lose their jobs, according to Mr Ward.

On the revenue side, meanwhile, PWA will no doubt be helped by the higher ticket prices likely to result from removing Wardair from the competitive equation. It will benefit too from the integration of Wardair's strong hand of international routes. The carrier currently handles about a third of passenger traffic between Britain and Canada, and has the right to fly into Lyons and Nice.

Asset disposals and pruned capital expenditure plans are also thought to be in the offing as PWA reconciles its abruptly expanded aircraft inventory with anticipated future needs.

On the face of it, the CAI and Wardair fleets appear peculiarly ill-matched, having absolutely no overlap in terms of aircraft type. Wardair's main immediate contribution takes the form of a dozen brand new Airbus A310s and three ageing jumbo jets. CAI mainly operates Boeing 737s and 767s.

Since the consummation of the deal, Wardair has moved quickly to cancel a C$600m order with McDonnell Douglas for 16 MD-80 aircraft, as well as orders for two more A310s. Furthermore, the company has told Holland's Fokker that options on 24 Fokker-100s are unlikely to be taken up. (CAI last summer ordered 17 Airbus A-320s, taking options on a further 17.)

Though Mr George Curley, Wardair president, has said that he does not expect the company to sell any existing planes, some observers believe that the valuable A310s, worth up to C$80m per unit second-hand, could be prime candidates for disposal.

"Not many carriers in the world would operate both A310s and 767s," says Alfred Bunting's Mr Larkin.

With Air Canada waiting in the wings, the pressure is on PWA to accomplish its reorganisation smoothly and quickly. In this connection, it is perhaps encouraging to note that Mr Eyton did not get where he is today without displaying a certain knack in this regard.

In 1987, he oversaw the formation of CAI through the amalgamation of four smaller airlines. The experience of melding these self-contained entities into a national carrier can hardly fail to stand him in good stead as he attempts to integrate Wardair.

Extra dividends for NAB shareholders

By Chris Sherwell in Sydney

SHAREHOLDERS IN National Australia Bank (NAB), the country's third largest in terms of global assets, are to receive a further rise in their already increased dividends following a bank decision to lift its payout rate on 1987-88 earnings close to 80 per cent.

The move, announced yesterday at the bank's annual general meeting in Melbourne, will come through a special cash dividend of 10 cents a share in March. It follows a 50 cent per share dividend declared in November, which represented a payout ratio of 65.4 per cent, itself a sharp rise from the previous year's 35.3 per cent.

Behind the improvement lies the Canberra government's introduction of dividend imputation, under which dividends from tax-paid company profits are not taxed a second time in the shareholder's hands as income, but are instead credited against shareholder's personal tax liability.

Also responsible for the increase is NAB's own innovative dividend scheme approved last year, under which dividends can be paid in the form of scrip as well as cash, taken as "unfranked" bonus shares or reinvested in the bank.

In November, at the end of a record trading year, NAB's 50 cents a share payout comprised 32 cents cash and 18 cents scrip. However, because some shareholders took unfranked bonus shares, and because the bank was conservative in its original estimate of available credits, it has lifted its payout further.

"This special dividend is consistent with the board's policy of distributing all available franking credits to shareholders," Sir Rupert Clarke, NAB chairman, told the meeting.

The payout ratio is thought to be one of the highest on the Australian corporate scene.

The addition will be fully franked. Shareholders can elect to reinvest it at a 7.5 per cent discount on market price, or take unfranked bonus shares at a 10 per cent discount on market price.

The bank meanwhile confirmed that it expected further growth in earnings in the current year, despite more difficult business conditions.

Bank of East Asia lifts post-tax profit 25.1%

By John Elliott in Hong Kong

BANK OF East Asia, Hong Kong's largest family controlled bank, yesterday reported consolidated profits after tax and transfers to inner reserves for 1988 of HK$280.2bn (US$35.9bn), a 25.1 per cent increase over the previous HK$223.9bn.

The results, which were accompanied by the announcement of a one-for-four bonus share issue, exceeded some market expectations. The level of just over 25 per cent was also regarded by analysts as a promising start to Hong Kong's annual season of final results, which traditionally begins with Bank of East Asia's figures.

The significance of the results is muted by Hong Kong banks' freedom to transfer undisclosed sums to inner reserves, which enables them to mask actual performance. Some analysts nevertheless suggested the results helped lift late afternoon property and bank share prices on the Hong Kong stock exchange, where there had been some early falls following a property auction on Wednesday.

Mr K.C. Chan, company secretary of the bank, which is controlled by the Li family, said the improved profits were the result of growth in trading finance business, and property and syndicated loans.

Some analysts suggested the bank probably trimmed its latest secret transfers to inner reserves in order to finance a bonus of 10 cents per share announced yesterday to mark the bank's 70th anniversary.

This bonus was in addition to a final dividend of 50 cents per share which, together with 25 cents paid last October, brought the total dividend for the year to 75 cents. The 1987 figure, adjusted for the bonus issue, was 63 cents.

INTERNATIONAL CAPITAL MARKETS

Japanese equity-linked issues have a nice day

By Andrew Freeman

THE EXPECTED round of Japanese equity warrant issues brought a somewhat mixed reception for the borrowers, but the day was judged a great success, as $2.95bn of equity-linked paper came to the market. Two fixed-rate US dollar issues met a good reception, against a background of rising yields on US Treasuries.

Big was beautiful among the Japanese borrowers, with Nippon Steel's $1bn four-year issue running to a sharp premium, quoted by the lead manager, Nikko Securities Europe, at 105¾ bid.

Nikko was also the lead manager for Sumitomo Metal Industries' $500m issue, which matures on February 17, 1993. It was quoted at 105½ bid. The coupon will be fixed on January 31, while the exercise price will be set on February 1.

Kobe Steel's $1bn issue, the European $500m tranche of which was lead managed by Nomura International, was less conspicuously successful, reaching as high as 104½ bid before running back to its closing level of 102¼ bid.

Co-managers were anxious to point out that this still represented a healthy premium, and commented that the stock has been relatively weak in the sector. There was also a feeling that the splitting of the issue into tranches made it harder for the European lead manager to place its allocation.

INTERNATIONAL BONDS

All three issues carry indicated coupons of 4¼ per cent, which are expected to be cut when final terms are set at the beginning of February.

A $300m deal for Kyocera Corporation, the medical ceramics supplier, was brought to market by Daiwa Europe and quoted at 104⅛ bid. It was said to have been overshadowed by the steel sector issues. The company's previous paper has a volatile trading history which dealers felt might subdue genuine retail interest.

While lead and co-managers were delighted by the day's performance, there was some feeling that yesterday's prices obscured the extent of retail interest. Experienced warrant investors may have stayed away from the high premiums levied on the new issues and looked for value in existing warrants.

The securities houses were predictably tight-lipped and would not discuss whether the issuers had followed their usual practice of swapping the funds into yen, although swap rates are not thought to be advantageous at the moment.

Instead, there were suggestions that, in some cases, part of the funds had been invested at a profit in the borrowers' own ex-warrant paper. This was made possible by the higher yields available in the secondary market once the warrants have been stripped away from the original paper.

Bankers Trust International launched a $120m six-year callable bond for Svenska Handelsbanken, which came at a spread of 74 basis points over an interpolated six-year US Treasury. It was trading at less 1¾ bid, just on full fees after good Japanese demand attracted by the 10 per cent coupon. The proceeds were said to have been swapped into floating-rate dollars.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Barclays Bank♦	100	9⅞	101.4	1999	1⅝/⅜	Kidder Peabody
Svenska Handelsbk♦	120	10	101⅞	1995	1⅜/⅞	Bankers Trust
Kobe Steel‡(a)	500	(4¼)	100	1993	1⅝/⅜	Yamaichi Int.
Kobe Steel‡(b)	500	(4¼)	100	1993	1⅝/⅜	Nomura Int.
Nippon Steel Corp.‡	1bn	(4¼)	100	1993	1⅝/⅜	Nikko Secs.(Europe)
Sumitomo Metal‡	500	(4¼)	100	1993	1⅝/⅜	Nikko Secs.(Europe)
Kyocera‡	300	(4¼)	100	1993	1⅝/⅜	Daiwa Europe
Sanken Electric‡	100	(4¼)	100	1993	1⅝/⅜	Daiwa Europe
Canon Inc.♦	70	9¼	102	1999	1⅝/⅜	Bankers Trust
D-MARKS						
PK-Banken♦	100	6¼	101¾	1995	1½/¾	BK.of Tokyo(Deutsch)
SWISS FRANCS						
Tiger Polymer‡**§(c)	25	(½)	100	1994	n/a	Citicorp
YEN						
Bank of Nova Scotia♦	10bn	(d)	101⅞	1993	1⅞	Goldman Sachs
DANISH KRONER						
Republic of Finland♦	400	9⅛	101⅞	1994	1¼/⅝	Privatbanken AS

‡With equity warrants. ♦Final terms. **Private placement. a)Asian tranche. b)European tranche. c)Put indicated at 107 on 30/9/91. d)Coupon at Japanese long term prime rate, flat. Fixed, reset and paid, semi-annually.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 26

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93½	94	0	0	9.96
A/S Eksportfinans 7¼ 92	150	93⅜	94	0	+0⅛	9.81
B.F.C.E. 7 92	150	92½	93⅛	−0⅛	0	9.74
Brit. Tel. Fin. 9⅜ 98	250	98½	99	−0⅜	−0⅛	9.57
Canada 9 96	1000	98⅝	99⅛	0	+0⅛	9.22
Canadian Pac 10¼ 93	100	†101¾	102¼	+0¼	+0¼	10.05
C.C.C.E 9¼ 95	300	98½	99	0	+0¼	9.52
C.N.C.A 9⅜ 93	150	99⅛	99⅝	−0⅛	0	6.52
Credit Lyonnais 9 91	200	†98⅝	99⅛	0	+0⅛	9.60
Credit National 8¼ 93	200	95⅛	95⅝	−0⅛	+0⅛	9.61
Credit National 7⅜ 92	100	93⅜	93⅞	−0⅛	0	9.74
Credit National 7¼ 91	150	†93¾	94¼	−0⅛	+0¼	9.72
Dai-Ichi Kan 9⅝ 92	150	99⅝	100⅛	−0¼	+0⅛	9.63
Denmark 7¼ 92	500	92⅞	93⅜	0	0	9.78
E.E.C. 7 91	100	93⅝	94⅛	0	+0¼	9.54
E.E.C. 7¼ 93	250	91⅞	92⅜	−0¼	−0¼	9.65
E.E.C. 8 90	350	†97⅜	97⅞	0	+0⅛	9.71
E.I.B. 7⅝ 93	100	92½	92⅞	−0⅛	0	9.58
E.I.B. 9⅜ 97	150	99⅛	99⅝	−0⅜	+0¼	9.47
Elec. De France 9 98	200	96⅝	97⅛	−0⅛	0	9.52
Finland 7⅞ 97	200	90⅝	91	−0¼	0	9.60
Finland 7½ 93	200	92	92½	−0⅛	0	9.63
Finn. Exp. Cd. 8½ 92	200	96½	97	−0⅛	0	9.73
Ford Motor Credit 8 91	250	†96	96½	−0⅛	−0⅛	9.99
Gen. Elec. Cap. Corp. 9 93	500	97¼	97¾	−0⅛	+0⅛	9.66
Gen Elec Credit 10¼ 00	200	99¾	100⅛	−0⅛	−0¼	10.25
Gen. Mtrs. Corp. 9¼ 92	200	98	98⅜	−0⅛	0	9.75
Halifax BS 9½ 93	200	†98¼	98¾	−0⅛	0	9.90
IBM Credit Corp. 8⅞ 91	250	98¼	98¾	0	+0⅛	9.49
Italy 9 90	1000	†99¼	99¾	0	+0¼	9.28
Italy 9½ 95	1000	99½	99⅞	−0¼	0	9.56
L.T.C.B of Japan 8 91	100	95⅝	96⅛	−0⅛	+0⅛	9.87
L.T.C.B. of Japan 8 97	200	90⅛	90⅝	−0¼	0	9.79
Metropolis Tokyo 9½ 93	200	100	100½	−0⅛	0	9.41
Morgan Guaranty Tst. 7 90	150	†96¾	96⅞	−0⅛	−0⅛	10.29
Nippon Tel. & Tel. 9⅜ 98	250	98⅝	99⅛	−0¼	−0⅛	9.55
Norway 8¼ 93	500	97	97½	−0⅛	+0⅛	9.58
Portugal 8¼ 91	300	†96⅜	96⅞	0	−0⅜	10.04
Prudential Crp. 8¾ 94	125	96¾	97¼	−0⅛	−0¼	9.45
Qantas Airways 10⅜ 95	140	103	103⅜	−0¼	0	9.68
Saskatchewan 10¾ 92	100	102⅜	102⅞	−0⅛	+0⅛	9.71
State Bk S Aust 9¼ 93	100	98	98½	−0¼	+0⅛	9.79
Sumitomo Bank 9⅝ 92	150	99¾	100¼	−0¼	+0⅛	9.59
Swed Exp Cred 7¼ 91	100	†93⅞	94⅜	0	+0¼	9.67
Sweden 7 91	250	93¾	94¼	0	+0¼	9.60
Sweden 7 92	250	†92⅞	93⅜	−0⅛	0	9.71
Sweden 8¾ 96	200	96⅛	96⅝	−0⅛	+0⅛	9.46
Sweden 8½ 92	200	†96⅞	97⅜	−0⅛	+0⅛	9.45
Victorian Rep 11⅝ 92	150	104¾	105¼	−0⅛	+0¼	9.72
World Bank 7 92	300	†93¼	93¾	0	+0¼	9.59
World Bank 9 97	300	97⅛	97½	−0¼	0	9.44
World Bank 9¼ 98	300	98¼	98¾	−0⅜	+0⅛	9.48
Yasuda Trust Fin 8½ 93	100	†94⅞	95⅜	−0⅜	−0⅝	9.89

Average price change... On day −0⅛ on week +0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	100⅝	101⅛	−0¼	−0⅛	5.84
Avis Fin. SVS 5⅞ 92	100	99¾	100¼	0	−0¼	5.87
Bank of Tokyo 5¼ 93	100	100¼	100¾	0	−0½	5.61
Central BK. Turkey 7 92	200	102⅛	102⅝	−0⅛	−1	6.24
Commerzbank o/s. 5⅜ 93	300	99¼	99¾	0	0	5.52
Degussa Int. 6⅛ 97	200	99⅝	100⅛	−0⅜	−0½	6.12
E.I.B 5½ 98	150	94⅝	95⅛	−0¼	−0¼	6.22
E.I.B 6 97	300	98⅝	99¼	0	+0¼	6.18
E.I.B. 6⅛ 96	300	99¾	100½	−0¼	+0¼	6.10
E.I.B. 6⅛ 97	400	99½	100⅛	0	−0⅛	6.16
E.I.B. 6⅞ 95	300	103¾	104¼	0	+0¼	6.11
Euro. Coal & Steel 5⅞ 97	175	97¼	98	−0⅛	−0¼	6.26
Eurofima 6¼ 96	100	99½	100⅛	0	−0⅜	6.26
Elec De France 5¾ 97	300	97⅜	98⅛	0	−0¼	6.09
Forsmark Krtg. 5⅛ 93	200	97⅛	97⅞	0	0	5.83
I.A.D.B. 6 97	200	98¾	99⅛	−0¼	+0⅛	6.19
Japan Dev. Bk. 5⅛ 95	300	97¾	98½	−0¼	−0½	5.73
Japan Finance 5¾ 97	100	96⅛	96⅞	0	−0½	6.31
Ireland 6½ 97	300	100⅛	100⅝	+0¼	−0¼	6.43
Malaysia 6¼ 94	150	99¾	100⅜	+0⅛	+0⅛	6.21
Nat. West BK. PLC 6 98	300	96¾	97½	0	−0¼	6.42
N.H.L. Finance 6¼ 95	200	†99¾	100¼	0	0	6.24
Nippon Telg. & Tel. 6 95	400	100⅛	100⅞	−0⅛	0	6.06
Oesters. Kontbk. 5 93	300	97⅝	98¼	0	−0⅛	5.60
Portugal 5¾ 92	150	99¾	100¼	−0½	−1¼	5.82
Portugal 6⅝ 95	150	100½	101¼	0	−0⅝	6.45
Privatbanken 5¾ 93	150	96⅞	97½	−0⅛	−0⅜	6.06
Royal Insurance 5½ 92	300	99⅞	100⅜	0	−0¼	5.45
Soc Cent Nuclear 7¼ 95	150	104⅜	105	0	+0¼	6.34
Turkey 6½ 95	500	97	97¾	0	−0¼	7.02
Westlb. Finance 5 93	200	†98⅜	98⅞	−0⅛	−0⅜	5.38
World BK. 6¼ 97	600	100¼	100¾	0	+0¼	6.13

Average price change... On day 0 on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†98½	99	+0⅛	+1	5.20
Asfinag 5 03	100	†97	97¼	−0⅞	+1	5.28
B.F.C.E. 4½ 98	200	†96	96½	−0⅛	+0¾	5.00
B.M.W. Fin. Neth. 5 13	150	†93¼	94	0	−0⅛	5.48
Britannia B/S. 4¼ 94	100	†95½	96	0	+0⅛	5.17
CIR. Int. W/W 3 93	125	†96	96¼	0	−1	3.96
Credit Lyonnais 4¾ 00	100	†95¼	95½	−0¼	−0⅞	5.30
E.I.B 4⅝ 98	150	†95½	96	+0½	+0¼	5.20
Fletcher Chall. 4⅞ 98	150	†94¾	95¼	−0¼	−0⅜	5.58
Kobe City 4⅝ 98	150	†95¾	96¼	−0⅞	−0½	5.17
Leeds Perm. B/S. 4⅛ 93	200	†96	97	0	−0⅛	5.06
Malaysia 5¼ 98	100	†95	95¼	−0⅜	+0⅞	5.93
Maxwell Comm. Crp. 5 95	150	†98½	99¼	−0½	+0⅜	5.20
Nat. Bk. Hungary 5½ 94	75	†97	97½	+0⅛	0	6.07
Nationwide Ang. B/S. 4 93	200	†94¾	95	−0¼	−0¼	5.33
Nippon Telg. & Tel. 4¼ 95	200	†96½	97	0	+0¼	4.83
Oesters. Ktbk. 5 03	75	†97	98	+0¼	−0½	5.25
Prov. NewFoundland 5 03	150	†99	99½	+0½	0	5.07
Thailand 4⅝ 95	200	†93¾	94½	−0⅛	−0⅜	5.73
World Bank 5 03	150	†98	98½	0	−0½	5.17

Average price change... On day −0⅛ on week +0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅜ 92	55	101⅞	102⅛	0	+0¼	4.80
Belgium 4⅝ 94	45	98½	98¾	+0¼	+0⅝	4.92
Canada 4⅜ 92	80	98⅜	98⅞	−0⅛	+0¼	4.77
Elec. De France 5⅛ 94	20	100⅝	101⅛	−0⅛	+0¼	4.92
Ireland 5⅛ 93	30	100	100½	0	0	5.05
Norway 5⅛ 95	50	100¾	101	0	+0¼	4.95
Rep. of Italy 5¼ 92	150	102¾	103	0	+0⅞	4.72
Sweden 4⅝ 93	50	99	99⅛	+0⅛	+0⅜	4.85
World Bank 5½ 92	50	102½	102¾	0	+0¼	4.69

Average price change... On day +0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10¼ 93 £	50	97½	98	0	+0¼	10.97
Alg. Bk. Ned. 5½ 92 FL	150	98⅝	99⅛	0	0	5.91
Alg. Bk. Ned. 5¾ 93 FL	200	97¼	97¾	0	−0¼	6.45
Amro Bank 6¼ 92 FL	150	99¾	100⅜	0	−0⅜	6.23
Aust. Ind. Dev. 12⅞ 93AS	100	94	94⅛	+0⅝	+0⅝	14.70
Austria 7½ 94 ECU	100	97½	98	+0⅛	+0¼	8.04
Barc. Bk. 10¼ 97 £	250	97⅜	97⅞	−0¼	+0⅞	10.67
Barclays Aus. 13½ 91 AS	100	97⅜	97⅞	+0¼	+0⅝	14.53
BP Capital 9¾ 93 £	100	96¼	96¾	0	+0¼	10.80
British Airways 10 98 £	100	94⅜	94⅞	−0¼	+0⅜	10.95
Buhrmann-Tet. 6⅛ 93 FL	100	100	100½	0	−0¼	6.30
Comm. Bk. Aust. 12⅝ 93AS	100	95½	96	0	+0¼	13.62
Coop. Ctr. Rabo. 6¼ 93 FL	100	99	99½	0	0	6.47
Coop. Ctr. Rabo. 6 92 FL	200	99¼	99¾	0	−0¼	6.23
Denmark 7¾ 92 ECU	100	†99¼	99¾	0	−0½	7.94
Dixons 11 95 £	90	†97⅞	98¼	0	+0⅝	11.54
Deut. Bk. Aust. 12¾ 95 AS	70	97⅝	98⅛	0	+0⅝	13.25
Eastman Kodak 13 90 AS	100	96⅛	96½	+0⅛	+0¼	15.69
E.I.B. 7 96 LFr	100	†97⅞	98¼	0	−0¼	7.33
Elec. France 10¼ 95 CS	125	†98⅞	98⅞	−0⅛	−0¼	10.53
Euratom 7⅞ 97 ECU	145	95	95½	+0⅝	+0⅞	8.18
Fed. Bus. Dv. Bk. 9¾ 92 CS	75	†97	97½	−0⅛	−0¼	10.73
Ford Cr. Can. 10⅜ 93 CS	100	†99⅝	100⅛	−0¼	−0¼	10.78
Ford Mtr. Cred. 7½ 91ECU	100	99⅜	99⅞	0	+0¼	7.69
Gillette Can. 9⅝ 93 £	70	92¼	92⅞	0	+0¼	11.79
G.M.A.C. 9¾ 93 CS	150	†96	96½	0	−0½	10.86
G.M.A.C Aus. Fin. 14 90 AS	50	98	98½	0	−0¼	15.22
Halifax BS 10⅝ 97 £	100	97⅝	98	0	+1⅜	10.82
Imp Chem Inds 10 03 £	100	95¼	95¾	0	+0⅞	10.61
Inv. Industry Int. 10 93 £	60	96⅝	97⅛	0	+0⅝	10.94
Lloyds Bank 10¼ 98 £	150	95¼	95¾	−0⅛	+1	11.05
Lloyds Bank 11⅞ 98 £	100	100⅛	100⅝	−0⅛	+0⅜	11.30
Montreal Tst. 10¾ 93 CS	100	†99	99½	−0⅛	−0⅝	10.93
Nat. Aus. Bank 14 91 AS	50	100⅝	101⅛	0	−0⅛	13.56
Nationwide BS 10⅛ 93 £	75	96⅜	96⅞	+0⅛	+0⅜	11.15
Ned. Midd. Bank 6 92 FL	150	98⅞	99⅜	−0⅛	−0½	6.30
New Zealand 9½ 93 £	100	95¼	95¾	0	+0½	10.85
New Zealand 7¾ 93 ECU	200	99½	100	+0⅛	+0¼	7.81
Philips Gleoil. 6 93 FL	300	98⅝	99⅛	0	+0⅛	6.28
Prudential Fin. 9⅞ 07 £	150	90½	91	−0⅛	+0⅞	10.52
Royal Bk. Scot. 10⅜ 98 £	125	97⅜	98	0	+1	11.09
Nippon Telg. & Tel. 6 95	400	100⅛	100⅞	−0⅛	0	6.06
Saskatchewan 10¼ 93	200	98⅛	98⅝	−0½	−0½	10.68
S.D.R. 7¾ 95 ECU	90	98	98½	+0⅛	+0⅜	8.12
Sth. Aus. Gvt. Fin. 0 94 AS	100	51⅞	52⅜	+0⅛	+0⅝	14.09
Union Bk. Switz. 7½ 93	150	†99¼	99¾	+0⅛	0	7.62
World Bank 5¾ 92 FL	100	98⅜	99	0	−0⅜	6.23
World Bank 13⅜ 92 AS	100	†98¾	99¼	+0½	−0½	13.67
Zentrspk. 13¼ 93 AS	75	97⅝	98⅛	0	−0⅜	13.84

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.77	99.82	21/01	10.99
Belgium 91 US	0	100.30	100.40	21/02	9
Britannia 5 93 £	0⅛	99.94	99.99	10/04	13
Chase Manhattan Crp. 91 US	†0⅛	99.50	99.75	22/02	8.94
Citicorp 98 US	†0⅛	98.20	98.45	28/02	9.62
Credit Foncier 98 US	.063	99.71	99.81	20/04	8.44
EEC 3 92 DM	†0	100.92	101.02	22/02	5.63
Halifax BS 94 £	.1	99.90	99.95	8/02	12.29
Invt. in Industry 94 £	0	100.02	100.11	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.06	100.11	13/04	13.37
Midland Bank 01 £	.1	97.44	98.06	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	99.99	100.04	30/12	12.06
New Zealand 5 97 £	.07	100.14	100.24	20/02	12.16
State Bk. Nsw. 98 US	.188	100.44	100.53	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.95	100.00	13/04	13.37
Woolwich 5 95 £	0⅛	99.81	99.86	21/02	12.37

Average price change... On day +0.00 on week −0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	110¼	111¼	−0¼	12.11
Amer. Brands 7¼ 02 US	9/87	56.7	114	115	+0½	3.25
Ashikaga Bank 2⅛ 02 US	4/87	967.	160¼	161⅜	−0⅝	7.47
Asics 5 92 DM	12/83	472.7	244½	245⅞	0	3.05
CBS. Inc. 5 02 US	4/87	200.	94⅜	95⅜	−0⅝	9.52
Comm. Credit 5½ 02 US	4/87	66.75	64⅝	65⅝	−0¼	55.25
Eng. China Clay 6½ 03 £	9/88	4.8	106¼	107⅛	−0⅛	4.02
Fujitsu 3 99 US	5/84	1106.	241	242	−4½	−0.49
Land Secs. 6¾ 02 £	6/87	6.72	95	96	−0⅛	10.46
MCA INC 5½ 02 US	†9/87	69.62	84½	85½	+0¼	21.70
Minolta Camera 2¼ 94DM	2/86	1004.	105½	106⅞	+0¼	12.12
Mitsubishi Bk. 1¾ 02 US	9/87	3157.	139	141	−1⅛	3.12
Mitsui trust 2¼ 01 US	10/86	1903.	149⅛	150⅛	0	4.90
Nishi Nipp. Bk. 2⅞ 03 US	4/88	804.	139½	140½	0	11.45
Omron Tateisi 2⅝ 02 US	4/87	1310.	204½	205½	−4½	0.79
Ranks Hovis 4¾ 03 £	1/88	3.5	113⅜	114⅜	+0¼	3.59
Redland 7¼ 02 £	1/87	5.4	95½	96½	−0⅛	11.97
Saatchi & Stchi. 6¾ 03 £	†10/89	4.41	98⅜	99⅜	−0½	18.30
Texas Inst. 2¾ 02 US	9/87	82.87	74⅝	75⅝	+0⅜	45.20
W.R. Grace 6¼ 02 US	9/87	42.12	83⅜	84⅜	+0¼	28.26

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed recurrency of share at conversion rate fixed at issue. Prem = Percentage premium of the currenteffective price of acquiring shares via the bond over the most recent price of the shares.

Copenhagen links bonds, futures and options

By Hilary Barnes in Copenhagen

TRADING IN Copenhagen's bond and futures and options markets will be brought together on a single screen as from today, as Denmark takes another step towards a full electronic market.

"This creates fantastic opportunities for dealers," said Mr Tyge Vorstrup Rasmussen, a director of the Guarantee Fund, which supervises the futures and options market.

But the dealers are still saddled with another problem — taxation. Investors are liable to tax on profits from trading in the market, but cannot deduct losses. "This makes the market a lottery," said Mr Claus Hansen, manager of SDS Borsservice, the broking arm of the SDS savings bank.

An official committee last autumn published proposals for solving the tax problem, but the Government has so far taken no action and, until the rules are changed, private investors, including the big institutional investors, are not interested in the market, said Mr Hansen.

With the electronic trading system in action, dealers will have data for the 9 per cent 2006 benchmark bond, the asset on which the futures and options market is based, on screen at the same time as they have the data for the futures and options in which they are dealing.

This should result in no divergence between the price of the bonds themselves and the futures and options, however volatile the market.

Mr Rasmussen claims that Copenhagen will become the first place where the two markets have been brought together in this way.

The official Danish market in futures and options opened on September 22 last year. To date, it has operated partly through an open outcry auction and partly as a telephone market, although, in practice, trade has taken place almost entirely by telephone. Electronic trading is expected to take a big share of the market.

Daily contracts have averaged about 1,000, or DKr1bn ($140m), although the market died away in December, when the price of the 2006 bonds came close to 100. Bond issuers can redeem their bonds at any time. Thus, when price exceeds parity, there is a conversion risk, and this has put a damper on the market.

The Guarantee Fund has put a ceiling of 105 on the price at which contracts could be made, in order to reduce the risk from conversion.

This month, however, prices have weakened again, and turnover reached a new daily record of 3,000 contracts (DKr3bn) last Friday, and has remained high this week.

PKbanken plan for Investment Bank takeover

By Sara Webb in Stockholm

PKBANKEN, Sweden's third-largest commercial bank, which is controlled by the state, said yesterday it plans to take over Sweden's Investment Bank, in a deal worth between SKr2.6bn and SKr3bn ($413m-477m).

The acquisition is intended to strengthen its project financing operations in the increasingly competitive Swedish banking market, it said.

The Investment Bank is 100 per cent owned by the state and specialises in project finance and bringing small concerns to the stock market.

It was set up in 1967, at a time when small and medium-sized companies had almost no access to capital markets. Since then, it has concentrated on building up its expertise in risk analysis.

However, the development of Sweden's financial markets in recent years has given companies far more freedom in borrowing and has led to tougher competition among the banks when it comes to straightforward lending.

Mr Kjell-Olof Feldt, the Finance Minister, who has stressed the need in the past for PKbanken to become more competitive, and Mr Ivar Nordberg, the Industry Minister, both gave the go-ahead this week for PKbanken to acquire the Investment Bank.

Mr KG Lindvall, chief executive at the Investment Bank, said two independent banks would be brought in to evaluate the deal.

Mr Christer Zetterberg, chief executive of PKbanken, said the deal would help to strengthen the bank's capital base and "increase its ability to provide credit to industry."

Sweden's Investment Bank reported operating profits of SKr348m in 1987 on an income of SKr483m. Its pre-tax profits reached SKr57m.

INTERNATIONAL CAPITAL MARKETS

Treasuries gain despite strong goods orders data

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds yesterday managed small gains despite the release of much stronger than anticipated US durable goods orders figures for December.

At midsession, bond prices were quoted as much as ¾ point lower at the long end of the yield curve but prices rallied during the afternoon to stand as much as ⅛ point higher at the close. The Treasury's benchmark long bond closed ⅛ point higher for a yield of 8.795 per cent.

Durable goods orders rose 6.4 per cent compared with forecasts for a gain of under 1 per cent. Taking out defence orders, they rose 5.4 per cent and, without transportation orders, by 1.6 per cent.

Bond prices started dropping as soon as the figures were released. However, price declines were relatively modest, partly because the dollar rallied after the orders figures and partly because bond traders did not want to take aggressive positions prior to today's preliminary data on fourth quarter GNP and the accompanying implicit price deflator.

Another modest negative for the market yesterday were weekly unemployment claims figures showing a rise in claims of 27,000 in the week to January 14.

The market is also wary of crude oil prices which have been rising for several days.

Considering these potentially negative influences and the sharp rally earlier this week on comments by Mr Alan Greenspan, chairman of the US Federal Reserve, whose tone was interpreted as aggressively anti-inflationary but who said little new, the bond market's rally yesterday was impressive.

GOVERNMENT BONDS

Today's GNP figures are expected to show growth of around 2.4 per cent in the final three months of last year compared with 2.6 per cent in the third quarter.

Fed Funds closed at 9⅜ per cent yesterday.

THE IRISH government bond market greeted Wednesday's budget with no great show of interest. The Exchequer borrowing requirement for the year was in line with expectations and had hence largely been discounted. The medium end of the market, though, continued to be supported: the 9 per cent capital bond due 1996 advanced 20 basis points, and now yields 8.76 per cent.

Foreigners have been underpinning this sector of the market, as Ireland is perceived to be cheap in relation to the French bond market.

A BULL run in the New Zealand bond market stopped in its tracks yesterday. A Cabinet reshuffle was seen as representing a leftwards shift and a possible portent of interventionism in financial markets.

Whereas bond prices had advanced strongly in the past two weeks or so on the back of bright economic news and the new finance minister's bullish remarks on the direction of interest rates, unease crept in yesterday at the new political colours hoisted in Wellington.

This was enough to knock a few points off prices. While yields have dropped some 90 basis points in the last eight trading days, bringing the yield on the benchmark bond to 12.96 per cent on a semi-annual basis, yields were back to 13.06 per cent by the close.

UK GILT-EDGED securities were quiet yesterday, as a certain amount of paralysis set in ahead of today's current account figures for December. Market forecasts are bunched around a £1.5bn deficit on the current account.

Prices drifted with US treasuries in early afternoon trading, but a strong domestic currency helped the market's mood. Weekly notes in circulation figures, significant because they from a large component of the narrow money supply measure, M0, gave mixed signals. Although yesterday's weekly figure, yielding a year on year increase of 7¾ per cent, was lower than in previous weeks, the figure for January as a whole indicates a year on year increase of 8 per cent, which rather contradicts signals that consumer spending is slowing.

The benchmark Treasury issue due 2003-2007 rose a modest ¼ of a point to 117.00, to yield of 9.53 per cent.

A GLOOMY day for French government bonds was occasioned by a wider French trade deficit – FFr4.1bn as a preliminary deficit for December against FFr3.6bn the previous month – and weakness in the US Treasuries market. On the Matif, the French futures exchange, the March contract on the notional 10-year bond lost 44 basis points to end the day at 107.96.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-08	-8/32	10.36	10.36	10.64
		9.750	1/98	99-14	-2/32	9.86	9.92	10.17
		9.000	10/08	99-19	+1/32	9.04	9.07	9.20
US TREASURY *		8.875	11/98	99-09	+3/32	8.98	9.00	9.05
		9.000	11/18	102-01	+7/32	8.80	8.85	8.94
JAPAN	No 111	4.600	6/96	98.4177	-0.095	4.84	4.97	4.67
	No 2	5.700	3/07	108.6902	-0.319	4.79	4.85	4.75
GERMANY		6.375	11/98	97.9750	-0.125	6.68	6.67	6.55
FRANCE	BTAN	8.000	1/94	97.6843	-0.154	8.61	8.56	8.59
	OAT	8.500	5/98	105.7900	-0.110	8.56	8.58	8.61
CANADA *		10.250	12/98	101.3750	-0.075	10.02	9.98	10.09
NETHERLANDS		6.7500	10/98	100.2750	-0.150	6.75	6.78	6.58
AUSTRALIA		12.000	7/99	94.8889	-	12.80	13.00	12.85

London closing, *denotes New York closing. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

BAT lifts sterling CP programme to £500m

By Katharine Campbell

BAT INDUSTRIES yesterday announced the extension of its sterling commercial paper programme to £500m from £200m. Three new dealers, Barclays de Zoete Wedd, Swiss Bank Corporation, and SG Warburg, join the two current dealers, NatWest Capital Markets and Lloyds Bank.

The programme, which is issued in the name of BAT's UK financing subsidiary but carries an unconditional parent company guarantee, was launched in February 1987.

Standard & Poor's, the US rating agency, has assigned the programme a rating of A1-plus.

Also in sterling commercial paper, AMI Healthcare group have established a new £75m programme. Barclays de Zoete Wedd and SG Warburgs arranged the programme and will also act as its dealers. The first issue of paper is billed for next Monday.

Meanwhile, Morgan Grenfell has arranged a £200m sterling certificate of deposit programme for the Kyowa Bank, the UK branch of the Japanese "city" bank.

The programme's dealers are to be Barclays de Zoete Wedd, Kleinwort Benson, Kyowa Finance International, Midland Montagu and Morgan Grenfell.

A £50m uncommitted multi-option facility for Empire Stores (Bradford) was signed this week. The financing, arranged by Barclays de Zoete Wedd, operates via a tender panel, which bids for short-term sterling acceptances or multi-currency cash advances.

● Société Générale Strauss Turnbull (SGST) has been expanding its derivative department by taking over a three-man traded options team headed by Mr Sean Connors. All three were formerly with Morgan Grenfell.

The team will focus on institutional business on the London Traded Options Market, which has seen a strong recovery of business after a long period in the post-crash doldrums. The team also plans to handle select private client business.

Becalmed after Atlantic crossing

Norma Cohen on New York's poor reception of French bonds

France's widely touted effort to broaden the market for its government bonds, by packaging them into American depositary receipts (ADRs) to allow them to be traded on the New York Stock Exchange, has had a poor reception.

According to data from the NYSE, the two separate issues of ADRs – the first ever introduced by a foreign government for its own bonds – have had only one or two trades apiece since the securities were launched with much fanfare in September 1988.

CL-Global Partners, the US-based investment bank subsidiary of Crédit Lyonnais, architect of the securities, says that, in fact, there has been somewhat more volume in the ADRs, but not much. "From a fundamental view, things are far from where we'd like them to be," concedes Mr Brad Warner of CL-Global Partners.

The French Government's ADR programme is based on two of its benchmark bonds, the OAT 9.8 per cent due 1996 and the OAT 8.5 per cent due 1997. Outstanding volumes of the two issues are about FFr44bn and FFr26bn respectively.

However, Mr Warner said the ADRs have had a poor start for a variety of reasons, the most significant of which has been the strength of the US dollar and the higher yields offered on US Treasuries.

The next time his firm considers launching an ADR for a foreign government's bond issues, the plan is to wait until economic fundamentals favour diversifying out of dollar instruments.

Crédit Lyonnais is not deterred by the less than enthusiastic reception the ADRs have received: at least six other governments have held serious discussions with Crédit Lyonnais about similar programmes for their own debt securities.

However, Virginia Giuffre, in charge of Citicorp's own ADR programme, said she believes the French ADR programme has run out of steam because Crédit Lyonnais and the depository, Bank of New York, have not marketed the securities wisely.

"The feedback we're hearing from brokers has been poor. Equity brokers, who are familiar with ADRs, don't understand it," she said. Citicorp, a competitor in the ADR business, is currently holding talks with three European governments about designing similar programmes for their securities.

Ms Giuffre said the primary buyers for the securities would be small retail investors who buy equity ADRs. After all, larger institutional investors would find it much cheaper to buy the underlying French securities outright, and small retail buyers of US government bonds are unlikely to want to diversify currencies.

Furthermore, educational materials have been scant, both for brokers who sell the product and for investors who buy them.

Mr Warner concedes that some operational hitches may have occurred at the outset of the programme that, with hindsight, could have been avoided. The bank is only now developing materials in English that calculate how the ADRs should trade relative to changes in the value of the French franc and in prices of the underlying government bonds.

Mr Warner also said the US brokerage houses enlisted to help sell the securities had not been promoting their sale. "The core broker dealers have not been doing much in the way of a marketing effort until they see the dollar falling," he said.

Also, CL-Global Partners, in connection with Bank of New York, is offering the ADRs for sale on a promotional basis on a zero premium over the value of the underlying bonds. At this rate, the two banks are absorbing the cost of assembling the securities, letting investors have all the advantages of the ADRs at no cost.

Cedel claims market share rise

By Andrew Freeman

CEDEL, the international securities clearing house set up in Luxembourg in 1970 by a consortium of banks, claimed yesterday that it had significantly increased its market share last year.

In view of the overall stagnation of turnover, this was mostly at the expense of its Brussels-based competitor, Euro-clear.

According to operating figures released ahead of Cedel's financial results due on February 8, the company saw a 13 per cent increase in users of its settlements service to 2,251 and a 15 per cent increase in the number of transactions settled to just under 8m.

The value of transactions settled through Cedel's systems increased by more than 10 per cent last year to $1,718bn.

The value of securities deposited rose by 34 per cent to $279bn.

By contrast, Euro-clear's user group rose by 10 per cent to 2,456 participants, while its transaction turnover fell from well over 7m to 6.7m.

Despite this, it remains easily the larger of the two companies, with turnover of $2,910bn and some $610bn of securities held for clients.

Cedel's performance compares favourably with data compiled by the Association of International Bond Dealers (AIBD), which show that the volumes in the market as a whole stagnated through the same period.

Both companies have diversified over the last few years, offering settlement in a range of instruments as the importance of Eurobonds to their business has gradually declined.

Euro-clear's chairman confirmed yesterday that secondary trading of Eurobonds declined in 1988, but said that this was more than offset by increases in other areas.

Mr Edmond Israel, Cedel's chairman, agreed: "The policy of diversification followed in the last few years has resulted in an excellent performance in 1988."

One area of expansion which is seen as particularly significant is the 10 per cent growth in Cedel's bond lending activities.

The service eases settlement problems by allowing investors to borrow securities to meet liabilities and is highly profitable for the lender and the clearing house which acts as go-between.

Cedel reports steadily increasing demand and daily turnover peaking at more than $1bn.

Its service is felt by many investors to offer more flexible facilities for raising cash collateral than the fixed system used by Euro-clear, making borrowing cheaper.

Nevertheless, Euro-clear is currently the more significant presence in the securities lending business, with average daily volumes running at $2.4bn last year.

This partly reflects its client base which includes a high proportion of market-makers who tend to have more need of lending facilities.

Liquidity and ease of settlement were greatly improved by the introduction in 1987 of the ACE system, a joint project by Cedel, Euro-clear and the AIBD.

ACE, which matches and confirms trades four times a day, is said to have helped to the extent that only 5 per cent of trades are now unmatched.

However, a Cedel official commented yesterday that it is hoped to reduce this figure and he said that market participants must work together to solve the problem.

Both companies have continued their expansion into equities settlement, Cedel processing over 2,500 different stocks last year and Euro-clear some 2,000. However, neither would provide fuller statistics.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thursday January 26 1989

Figures in parentheses show number of stocks per section

Group	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Jan 25 Index No.	Tue Jan 24 Index No.	Mon Jan 23 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	864.19	+1.0	10.82	4.12	11.33	0.32	857.43	857.86	849.31	744.42
2 Building Materials (28)	1085.63	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (39)	1683.87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (10)	2507.48	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (30)	1986.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (55)	452.51	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	491.62	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (17)	287.42	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (22)	1456.29	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (187)	1126.77	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	1220.41	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (21)	1013.69	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (15)	1984.61	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (13)	1962.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (30)	1478.86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (17)	572.71	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (18)	3529.64	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	749.14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (4)	500.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (92)	983.81	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (19)	1170.31	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	1121.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (12)	1366.59	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	2064.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	1069.29	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (26)	1352.16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (487)	1032.28	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (13)	1875.91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	1104.02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (126)	724.80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	729.86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	1017.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	570.62	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	986.56	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	338.80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (53)	1179.47	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (32)	371.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (76)	1010.02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	525.44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	1367.94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (712)	1010.78	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 25	Jan 24	Jan 23	Jan 20	Jan 19	Year ago
FT-SE 100 SHARE INDEX ♦	1959.8	[illegible]	1961.8	1958.8	1959.8	1941.1	1934.7	1917.5	1918.8	1783.9

FIXED INTEREST

	PRICE INDICES	Thu Jan 26	Day's change %	Wed Jan 25	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.96	+0.01	118.94	-	1.20
2	5-15 years	135.97	-0.06	136.05	-	1.35
3	Over 15 years	150.13	-0.10	150.29	-	0.00
4	Irredeemables	171.76	-0.33	172.32	-	0.00
5	All stocks	133.51	-0.05	133.57	-	1.15
	Index-Linked					
6	5 years	131.29	-0.11	131.43	-	0.00
7	Over 5 years	128.59	-0.07	128.68	-	0.42
8	All stocks	128.61	-0.07	128.70	-	0.38
9	Debentures & Loans	116.74	+0.31	116.38	-	0.26
10	Preference	88.77	+0.27	88.53	-	0.17

	AVERAGE GROSS REDEMPTION YIELDS		Thu Jan 26	Wed Jan 25	Year ago (approx.)
	British Government				
1	Low	5 years	9.17	9.19	8.71
2	Coupons	15 years	8.92	8.89	9.22
3		25 years	8.85	8.82	9.12
4	Medium	5 years	10.14	10.13	9.24
5	Coupons	15 years	9.39	9.37	9.41
6		25 years	9.04	9.02	9.29
7	High	5 years	10.39	10.38	9.32
8	Coupons	15 years	9.54	9.53	9.56
9		25 years	9.07	9.07	9.31
10	Irredeemables	†	8.87	8.84	9.05
	Index-Linked				
11	Inflation rate 5%	5yrs	3.59	3.54	2.35
12	Inflation rate 5%	Over 5 yrs	3.68	3.67	3.95
13	Inflation rate 10%	5 yrs	2.71	2.66	1.40
14	Inflation rate 10%	Over 5 yrs	3.51	3.50	3.78
15	Debs &	5 years	11.65	11.75	10.81
16	Loans	15 years	11.32	11.39	10.76
17		25 years	11.00	11.03	10.76
18	Preference	†	10.13	10.16	10.42

♦Opening index 1938.8; 10 am 1945.8; 11 am 1955.2; Noon 1957.1; 1 pm 1960.5; 2 pm 1956.8; 3 pm 1953.9; 4 pm 1956.5; 4.05 pm 1956.6 (a) 1.10pm (b) 9.00am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	7	88	16
Corporations, Dominion and Foreign Bonds	0	16	35
Industrials	579	294	714
Financial and Properties	248	89	333
Oils	37	19	44
Plantations	2	0	10
Mines	56	32	98
Others	76	70	89
Totals	1,005	608	1,339

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+or-
130	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

● First Dealings Jan 23
● Last Dealings Feb 3
● Last Declarations May 4
● For settlement May 15

For rate indications see end of London Share Service

Calls in Premier Cons, Domino Printing, Dixons, N Kalgurli, Cambium Venture, Chrysalis, Amal Fin, Magnet, Mt Charlotte, Local London.

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
Allied Lyons (*472)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Airways (*182)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. & Comm. (*236)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots (*243)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.P. (*268)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Steel (*70)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bass (*876)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cable & Wire (*409)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold (*1291)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Telecom (*271)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cadbury Schwep (*367)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guinness (*365)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LASMO (*484)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O. (*607)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pilkington (*232)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

January 26 Total Contracts 52,548 Calls 42,829 Puts 9,719 FT-SE Index Calls 6667 Puts 2432 *Underlying security price.

UK COMPANY NEWS

Rank entertains City as advance to £255m exceeds expectations

By Vanessa Houlder and Lucy Kellaway

RANK ORGANISATION, the leisure and entertainment group, yesterday announced a 22 per cent rise in pre-tax profits to £255.1m for the year to October 31. Turnover rose 23 per cent from £668.4m to £824.1m.

The results exceeded City expectations and the share price rose by 30p to 783p.

All operating divisions posted higher profits with the exception of Precision Industries where trading profits fell from £12m to £7.4m. This resulted from a £2.1m loss at Strand Lighting.

Mr Michael Gifford, chief executive, said that its operating inefficiencies were being overcome and it was expected to return to profit this year.

The breakdown of trading profits was as follows: film and television services £25.7m (£16m); holidays and recreation £57.8m (£43.6m); hotels and catering £18.5m (£16.6m); precision industries £7.4m (£12m) and leisure developments £18m (£9m).

After a valuation of the group's hotel properties, a surplus of £209.2m was added to shareholders's funds. Net assets per share increased from 283p to 391p.

A total of £320m was spent during the year in acquisitions, capital expenditure and the repayment of preference shares. Net borrowings at the year end were £328.1m (£122.7m). Interest costs rose

Michael Gifford (left), chief executive, and Sir Patrick Meaney, chairman: good growth in most divisions.

from £10.2m to £18.9m, fuelled by the costs of acquisitions.

New ventures last year included the multi-leisure development at Stoke Festival Park, the opening of the Hilton Park Motor Lodge and Texacana Restaurants, together with new production facilities at Rank Brimar. Modernisation and refurbishment continued at Butlin's Holiday Worlds, Haven Leisure, Top Rank Clubs, Odeon Cinemas and Rank Hotels.

Rank said that it intended to add value and expand its leisure related business, particularly in the US.

Rank's share of pre-tax profits from Rank Xerox increased to £150.5m compared with £118.2m from all associated companies in 1987. Mr Gifford said that these results included about £10m-£15m of non-recurring items resulting from its pensions accounting and from Europe to the US.

Earnings per share increased from 58.2p to 72.6p. A recommended final dividend of 17.75p per share makes a total of 26.25p (21.75p) for the year.

A Kershaw & Sons, which holds 40 per cent of the ordinary share capital of Rank Precision Industries (Holdings) – the indirect owner of half the group's interest in Rank Xerox – increased its investment income by 27 per cent to £8.38m (£6.57m).

Earnings per share increased from 18.5p to 23.7p. A final dividend of 16.25p is proposed, giving a total of 22.25p (18.5p) for the year.

● COMMENT

Rank is something of a market oddity: it has produced five years of earnings growth of more than 20 per cent, yet its shares trade at a 10 per cent discount to the market. Growth in the current year should be at least in the high teens, with the managed businesses faring better than the inimitable Rank Xerox for once. While demand for copiers looks strong, the £10 to £15m of pension holidays and other usual items that boosted last year are unlikely to be repeated. On the other hand, this year should see a swing into profit at Strand Lighting, and further progress from last years two medium sized US acquisitions. Still, the rise in the share price yesterday that greeted such prospects did little more than reverse the damage that unfounded rights issue rumours had done the previous year. With gearing at less than 40 per cent, and future acquisitons likely to be of manageable size, the rights risk looks small.

TIP makes £28m agreed offer for CSL

By Fiona Thompson

TIP, the trailer rental group, has made a £28.1m recommended offer for CSL, the USM-quoted truck and trailer hire and commercial vehicle servicing group.

TIP rents trailers to customers in the manufacturing, distribution, transport, shipping and rail industries. It operates a fleet of over 13,000 high specification trailers from 57 locations in nine European countries.

In the year to July 31 1988, TIP made pre-tax profits of £9m, and at that date net assets amounted to £37.3m.

CSL's fleet includes 2,200 trailers and 185 commercial vehicles, of which 150 are high premium articulated tractor units. It operates 12 service outlets.

CSL reported pre-tax profits of £1.5m for the year ended December 31 1987 and £725,000 for the six months ended June 30 1988. Net tangible assets at December 31 1987 were £5m.

In addition, CSL owns investment properties which should, under the terms of the offer, have a current aggregate market value of not less than £7m. It is one of the conditions of the offer that TIP receives an independent valuer's report to this effect.

"The acquisition of CSL is another important step in consolidating TIP's presence in the trailer rental market," said Mr Jim Cleary, TIP's chairman. CSL's particular strength is in the north of England and the Midlands.

Last month TIP acquired the Cetem/ITR group in Holland and Belgium.

Merchant bank Kleinwort Benson will, on behalf of TIP, offer 100 new TIP ordinary shares of 5p each for every 121 fully paid CSL ordinary shares of 10p each. The cash alternative is 156p per share for all or any new TIP shares to which accepting shareholders are entitled.

TIP has received irrevocable undertakings to accept the offer from shareholders representing 38 per cent of CSL.

At last night's TIP share price of 165p, the offer values each CSL share at 136p. CSL shares closed 23p up last night at 131p.

SAUR increases water bids and shuts door on Southern

By Andrew Hill

SAUR Water Services yesterday won two more statutory water companies in the south east of England with increased bids.

The victory shuts out a counter-bid for West Kent from Southern Water Authority and its joint venture partner, and prevents a hostile bid being tabled for Mid-Sussex.

The French group – a subsidiary of Bouygues, the construction and service company – is poised to declare its agreed offers for the two water companies unconditional, having won over three key institutional shareholders in each case.

In areas where water is supplied by the UK's 29 statutory water companies, the 10 public authorities only deal with waste water. Southern and its partner, Associated Insurance Pension Fund – a vehicle for Mr Duncan Saville, a Sydney-based investor – now hope to retain influence over the companies in Southern's area by keeping large minority stakes.

Mr David Gadbury, Southern's head of planning, yesterday said: "We have no intention of being obstructive for the sake of it, but if we feel that by sitting in there with a significant stake we can insure that customers' interests are adequately safeguarded then we shall hang on."

Southern and AIPF could use their stakes to prevent the companies converting to public limited companies after flotation of the 10 water authorities in autumn.

In the last few days, SAUR has had to increase the total offered for companies in and around Southern's area by 17 per cent to nearly £100m, both to counter the Southern/AIPF strategy and persuade intransigent institutional shareholders to commit their shares.

SAUR's bid for Mid Southern Water, which is outside Southern's region, was increased on Wednesday and closes on February 8.

Apart from Portsmouth, which is controlled by its own pension fund, only one company in Southern's area – Mid Kent – is now independent of control by French water suppliers. Mid Kent is sheltered from bids by the Government's new restrictions on water industry merger policy.

Mid-Sussex, West Kent and Eastbourne are controlled by SAUR, and Folkestone by Compagnie Générale des Eaux, France's largest water supplier. Southern and AIPF together hold more than 25 per cent of each of the four companies.

SAUR increased its bid for Mid-Sussex to £130 for each £10 nominal of voting stock – valuing the company at £16.8m, against the original bid of £15m.

The bid for West Kent was raised to £300 for each £10 of voting stock – a total of £7.4m (£5.35m) for the whole company – compared with £235 offered by Southern/AIPF.

About 50.7 per cent of the votes in West Kent and 58.7 per cent of the Mid-Sussex voting capital have been committed to SAUR.

In the last year bids have been launched for 14 of the UK's private water companies, all but two from three French water suppliers, sparking political controversy in the run-up to privatisation of the much larger water authorities.

US limits Domino to 14% rise

By Clare Pearson

DOMINO PRINTING Sciences, the ink jet printing specialist burdened with a troubled US subsidiary, posted pre-tax profits 14 per cent higher at £5.12m for the year to end-October 1988 on turnover up from £21.4m to £32.83m.

But earnings per share fell from 20.12p to 17.95p, reflecting the impact of Domino's 1-for-2 rights issue in July 1987 which financed the £23.1m purchase of its former US distributor, now called Domino Amjet Inc.

As expected after a warning last October from Domino, the US company, which was allegedly producing sub-standard products and selling them through an inexperienced sales team, reported disappointing operating profits of £537,000 on sales of £9.7m.

Domino said that, having now taken the matter in hand, it believed it had solved the quality problem and was working on the sales force, as well as trying to win back disillusioned customers.

"But we're not predicting any miracles," warned Mr Alan Barrell, Domino managing director who also became chairman after the resignation of Mr Graeme Minto last autumn. This year US sales should improve but costs would be higher, especially as Amjet has moved.

However, Domino, which makes 77 per cent of its sales outside the UK and has subsidiaries in West Germany and The Netherlands, had seen encouraging growth in other areas. European sales had risen by 38 per cent and in by Japan by 40 per cent.

Despite the heavy outlay on new headquarters in Cambridgeshire, Domino ended the year with £800,000 in cash. But it expected to become slightly geared this year.

Mr Barrell said a rise in selling and distribution costs to £5.45m (£3.1m) partly reflected investment in new resources.

The adverse currency effect on operating profits of Domino, which is exposed only to the dollar, D-Mark and guilder, amounted to £100,000.

Other operating income fell to £5,000 (£360,000) reflecting loss of royalty payments after acquiring Domino Inkjet. Interest receivable stood at £257,000 (£174,000). Tax took £1.53m (£1.27m). A recommended final dividend of 2.1p makes 3.8p (2.9p) for the year.

● COMMENT

Domino shares shed 7p to 215p yesterday on disappointed hopes that a more encouraging message would emerge along with these results, which were in line with downgraded expectations. Though the picture in the rest of the world is quite rosy, the market still needs convincing that the recovery in the US is really underway and Mr Barrell was not giving any hostages to fortune yesterday. Pre-tax profits of about £6m look attainable, giving a p/e of around 10.25. The shares are a hold.

Organic growth prompts 88% rise at Goodhead

STRONG ORGANIC growth throughout all its divisions enabled Goodhead Group, the printer and free newspaper publisher, to lift taxable profits 88 per cent from £1.44m to £2.7m in the six months to end-November.

Sales expanded 29 per cent to £30.41m (£23.51m). Mr Colin Rosser, chairman, said that profit margins had been raised to 8.9 per cent of turnover, an improvement of 46 per cent over the same period in 1987.

The print division, still the main contributor to turnover and profits, currently has a strong order book, while publishing, he said, had made "great strides", although there was still scope for savings in production costs over the next two years.

Goodhead's design division had experienced considerable growth, while the paper operation had secured its first agency to market paper from Canada in the UK.

Earnings per 20p share rose to 13p (8.6p) and the interim dividend is lifted to 1.75p (1.5p).

Omnitech back in the black at year-end

OMNITECH, the designer and developer of packaging machines and systems which joined the USM in 1986 to raise funds to develop Omnitrac, its horizontal wrapping machine, moved into the black in the year to the end of July 1988.

The turnround from pre-tax losses of £259,800 to profits of £18,000 was in part due to the fall in written-off research and development costs from £190,700 to £25,400.

Turnover for the year was £126,800 (nil) and gross profits £76,100 (nil). Administration costs accounted for £74,700 (£58,100).

There was an exceptional credit of £27,100 (nil) which arose in respect of disputed research and development costs, provided in the profit and loss account of the year to July 31 1987, which proved to be unnecessary.

Earnings per 1p share were 0.1p (losses 1.44p).

The chairman said that discussions were being pursued which, if successful, would help expand the company's capability and profitability.

Avis Europe buys remaining Locadif shares

By John Thornhill

Avis Europe, the car leasing and rental group, has exercised its option to buy the outstanding 22.3 per cent of Locadif still held by Lease International, the financial consortium headed by D'Ieteren, the Belgian motor distributor and financial group.

The option was granted in October 1987, when Avis Europe increased its stake in the company to 77.7 per cent with the purchase of an additional 44.4 per cent.

The total consideration for the remaining shares is BFr 896.66m (£14.36m) via the issue of 4.05m new Avis Europe shares at 355p each.

Locadif is the holding company for a group of seven Belgian vehicle leasing and rental companies. About 75 per cent of the group's turnover comes from its leasing activities.

The group operates from around 100 stations throughout Belgium and has some 1,800 leasing customers. Net assets of the group at February 29 1988 were BFr 453m (£7.24m at the then current exchange rate).

TGI goes quadraphonic through Audix

TGI, the audio and consumer electronics company comprising Goodmans, Mordaunt-Short and Tannoy, is acquiring a fourth leg with the £2.24m purchase of the Audix companies, makers of public address and broadcasting equipment, writes Clare Pearson.

Mr Terry Bennett, TGI chairman, said the purchase was part of a strategy to strengthen manufacturing in areas not directly linked to consumer spending. He said it would provide a useful addition to Tannoy's interests in professional loudspeakers, and the Tannoy brand name would be introduced to some of Audix's products.

The consideration is being satisfied as to £2.04m by the issue of 1.55m ordinary shares, of which 1.22m have been placed, and the balance in loan stock.

There will be a further payment of up to £1m linked by a formula to profits in the 17 months to end-March next year. In its last financial year, Audix made £548,000 pre-tax on sales of £4.14m.

TGI, whose products include in-car hi-fi systems, microwave ovens and small television sets, said profits were currently in line with budget despite higher UK interest rates. Pre-tax profits were £1.64m (£1.05m) for the six months to end-September.

Simon Engineering

Simon Engineering is paying £650,000 cash to acquire the controls division of the electrical equipment manufacturer Parmeko. The division specialises in airfield lighting control equipment and has annual sales of £1m. The new business will trade as Simon-Parmeko.

CORRECTION

Waterford Glass

Wedgwood's pre-tax profits for 1986 were £19.49m, not £5.2m as stated in our January 26 report on Waterford Glass.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Associated Nursing Services, Bremner, First Spanish Inv Trust, Misys, Noopaend, Norbain Electronics, Perstorp.

Finals- Baldwin, Cauldon, Continental Assets Trust, Crown Communications, Tele computing, Whitegate Leisure.

FUTURE DATES

Finals-

Blue Arrow	Jan. 31
Chestergate	Feb. 6
Cityvision	Feb. 28
Cranbrook Electronic	Feb. 14
Drayton Far Eastern Trust	Feb. 1
Electronic Machine	Jan. 31
Fleming American Inv Tst	Feb. 1
Leslie Wise	Feb. 14

Lonrho has never been in better shape

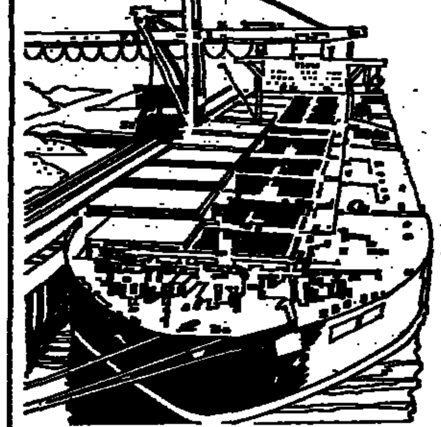
R W Rowland, Chief Executive

Dear Shareholder,

Your Company has never been in better shape.

There was a time when I used to write the entire Review of Operations myself, but this year, when nearly all shareholders will have seen analysts' reports on Lonrho, and when the Annual Report contains pages and pages of financial information, you won't want me to tell you that Sector X has increased its profits by Z. It suffices to say, at the risk of boring you, that we haven't got a loss-maker in the Group.

No wonder Lonrho is attractive to opportunity seekers who calculate that by sending the healthy Group to the breaker's yard, they could expect to get far more than the share price, and far more than the cost of an Offer for the whole Company. From the shareholders' point of view — and I am a large shareholder myself — no outside analysis of Lonrho has approached the intrinsic value of the shares. Five or six pounds per share may seem inviting today, when the



'Ruhr Ore' discharging 292,000 tonnes of Brazilian iron ore at Rotterdam — Krupp Lonrho.

highest market price per share was 428 pence in 1988. It does not reflect the earnings potential of the Company or its asset resources, as a quick flick through the Annual Report will show.

The results are yet again good enough for a bonus issue and a higher dividend, which is being paid out on the share capital increased following the A.G.M. last year.

In this financial year, which ends in September 1989, I am far more optimistic than usual and I can tell you with confidence, after twenty-eight years with Lonrho during which I have not sold a single share, that the outlook is astonishingly good.

It is the experienced management and the bubbling spirit of the Group that have made it possible to build up such a magnificent set of major assets across the world.

Hundreds of companies make up Lonrho. In recent years, there has been no need for rights issues, and the Board do not expect to call for capital, or to issue new shares for acquisitions. Cash and existing facilities in excess of a billion pounds are open to Lonrho, should they be wanted, without recourse to shareholders.

Let's stay together and see our shares continue their strong advance with the Company. I wish I had a few more.

Yours sincerely,

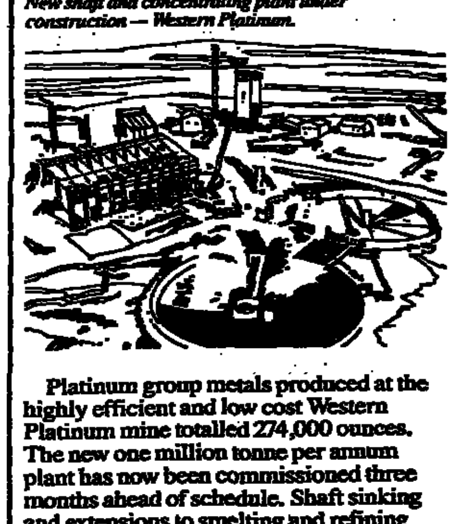
Tiny Rowland

The following text is taken from the Review of Operations for the year ended 30 September 1988:

MINING AND REFINING

Another very successful year has been achieved by the Group's mining division. Precious metal production increased to a record 785,000 ounces, which is anticipated to increase to one million ounces in the current year.

New shaft and concentrating plant under construction — Western Platinum.



Platinum group metals produced at the highly efficient and low cost Western Platinum mine totalled 274,000 ounces. The new one million tonne per annum plant has now been commissioned three months ahead of schedule. Shaft sinking and extensions to smelting and refining facilities are also well advanced. Long term arrangements have been concluded for the sale, at market prices, of the major portion of the increase in output.

Andrew Saffy, the General Manager of Western Platinum since 1972, died suddenly in July. His contribution to achievements at the mine has been outstanding and will have a lasting effect on its operations.

A new mine, Eastern Platinum, is being established on extensive ore reserves and construction began recently of a one million tonne per annum concentrating plant.

Group gold production improved to 511,000 ounces, as a result of the US$160 million programme to increase the output of Ashanti by 50% over a five year period as well as the expansion of our mines in Zimbabwe.

Structural difficulties encountered at Erfdeel have resulted in a slower build up of production than planned, but the ultimate output of 400,000 ounces per annum remains unchanged. Our interest in this project is 36%. Exploration on the other joint venture with the Anglo American Group has indicated encouraging gold values.

Our joint venture with the Government of Zambia for the mining and exclusive marketing of amethysts is progressing.

AGRICULTURE

Lonrho farms and ranches two million acres of land in Africa and the United States. It is the largest commercial food producer in Africa and owns 120,000 head of cattle, sales of which amounted to 25,000 head in the year.

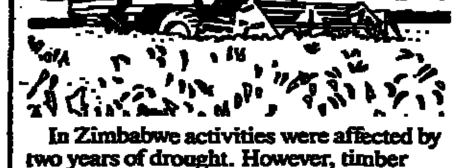
Production by the Group's seven sugar factories has once again increased and sales of approximately half a million tonnes were made. The improvement in the world market prices for sugar enabled the Group to achieve record profits.

In Malawi tea sales were good, largely as a result of the recent modernisation of the factories. During the year additional hectarages of tea and coffee were planted. Production of tea was reduced to 4·7 million kilos due to bad weather.

In Kenya wattle extract sales have been more buoyant and large scale pig farming has started.

In Zambia Kalangwa Estates maintained its impressive growth, with exceptionally good results being achieved on irrigated crops and livestock. The yields of the dairy herd have also recorded further improvement. The newly established Power Hire Mumbwa provided a land preparation service to local smallholders in the Mumbwa area which has secured 15,000 tonnes of seed cotton for processing at the Group's ginnery.

Massey Ferguson combine harvester in East African Tanning Extract Co.'s wheat fields — Kenya.



In Zimbabwe activities were affected by two years of drought. However, timber demand increased dramatically.

Lomaco in Mozambique is now firmly established as a cotton, citrus and tomato producer, achieving good yields in these activities. The total volume of produce increased by 120% this year, although depressed cotton prices restricted growth in profitability.

The farming and ranching operations in the United States were hindered by the difficult trading conditions in the agricultural sector.

Friesian dairy cattle — part of Lonrho's 120,000 head of cattle world-wide.

HOTELS

The Princess Group was enlarged during the year by the opening of the 525 room Scottsdale Princess in Arizona and the acquisition of the 264 room Palm Springs Marquis in California.

The American tourist market was depressed in 1988 which affected the results in Bermuda and Mexico, although the Bahamas showed continued strong growth based on the casino business.

The Scottsdale Princess opened during the busy winter season and the future looks bright for this investment. The Marquis Hotel is in the process of being upgraded and, after the initial low summer season, the hotel is looking forward to the future.

In the United Kingdom the Metropole Hotel Group has once again reported record profits. The programme of upgrading facilities has continued.

Planning permission has been received for a new extension to the Birmingham Metropole and work has now commenced. The extension will consist of a major new conference room and 125 bedrooms. When completed it will be by far the largest conference hotel in the country, with three major conference rooms and over 800 bedrooms. Work has also commenced on the major new extension to the London Metropole.

The Birmingham Metropole was voted conference hotel of the year in two of the main hotel industry awards in the United Kingdom.

In Kenya the Group's hotel interests have been substantially expanded with additional accommodation being added to all hotels. On the Group's 108,000 acre ranch and game reserve, a health farm and a luxury tented camp have been opened.

The Merville Beach Hotel in Mauritius has had a very profitable year and expansion is planned soon.

MOTOR DISTRIBUTION

Lonrho remains the largest motor distributor in the United Kingdom selling 35,000 vehicles in August alone.

Strong demand for Volkswagen and Audi vehicles has resulted in V·A·G (UK) selling 128,000 vehicles in the year, which is the highest level ever achieved.

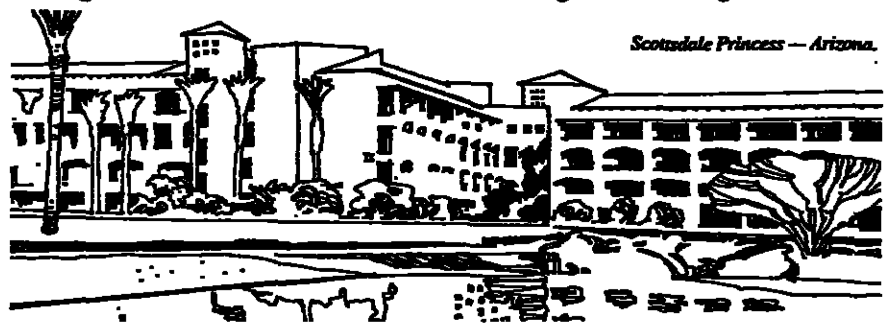
New products introduced during the year include the new stylish Volkswagen Passat. The Corrado, Audi V8 and Audi Coupe were also launched at the recent Birmingham Motor Show.

Lonrho is the largest distributor of motor vehicles in Africa with agencies for Mercedes Benz, Toyota, Peugeot, Audi Volkswagen, Mitsubishi, Fiat, Massey Ferguson, Rover Group, General Motors and several other manufacturers.

PRINTING AND PUBLISHING

The Observer's new premises in Battersea were officially opened by H.R.H. Princess Alexandra in March, marking a new era in the company's history. The Observer continued to operate profitably in a highly competitive market, setting a record for display advertising and introducing

Scottsdale Princess — Arizona.

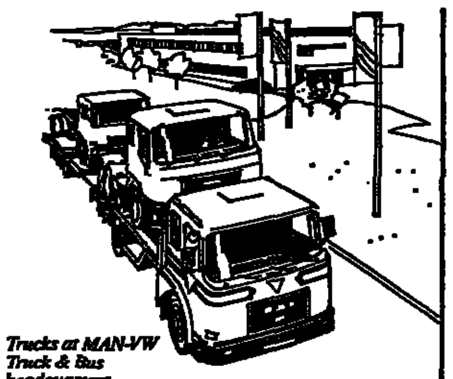


1988 AT A GLANCE

	1988	1987
Turnover	£4,216m	£3,616m
Profit before tax	£225m	£200m
Profit attributable to shareholders	£133m	£104m
Earnings per share	30.0p	25.8p
Dividends per share	13.0p	11.1p
Cash balances	£340m	£313m

Turnover includes the Group's share of turnover of associates amounting to £949m (1987 — £603m).
Earnings and dividends per share for 1987 have been adjusted for the capitalisation issue in 1988.

The eightieth Annual General Meeting of Lonrho Plc will be held at the Great Room, Grosvenor House, Park Lane, London, W.1. on Thursday, 30th March, 1989 at 11.45 a.m.



Trucks at MAN-VW Truck & Bus headquarters — Swindon.

MAN-VW's performance has improved significantly.

Dutton-Forshaw Motor Group in the United Kingdom achieved record profits in the year. The group's five Jaguar sites contributed a substantial profit to the Group's overall results.

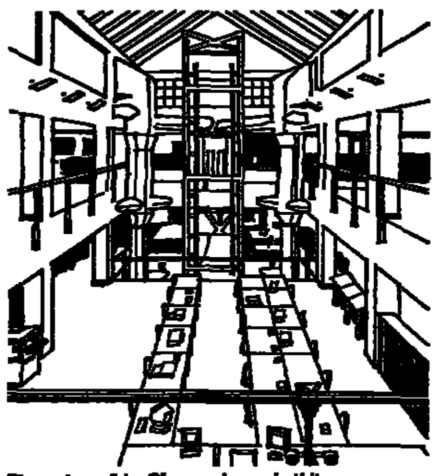
Watveare, in its first year of holding the Mercedes Benz tractor franchise, was awarded the silver trophy for being the best importer of the year.

SEAT Concessionaires (UK) was reorganised during the year with a new management team and its head office being relocated in Crawley.

Matermaco in Belgium celebrated the 25th anniversary of its holding the Massey Ferguson franchise.

In Kenya, Motor Mart successfully leads the market with Toyota, Mitsubishi Fuso and Massey Ferguson in prominent positions. Motor Mart has also now been awarded the Fiat Auto, Iveco and Agri franchises.

Power Equipment in Zambia recently introduced a locally assembled tractor designed for the small scale farmer.



The atrium of the Observer's new building showing the news desk.

sections for readers in the London area and Scotland.

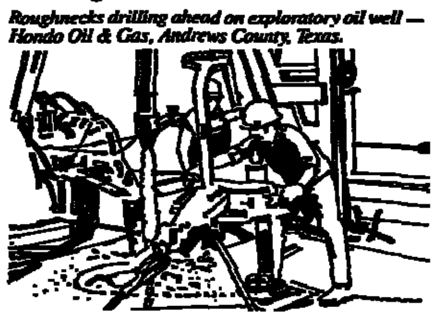
George Outram's production on its new colour printing presses began during the year and several inroads into new colour and inserting markets have been made, together with the successful introduction of direct input as the basis for production of the newspapers.

Scottish and Universal Newspapers continues to retain its position as the largest local newspaper publisher in Scotland.

Harrison & Sons embarked on a new currency printing project during the year, investing in new recess printing presses. Several major currency printing contracts have been obtained, which will set the pace for future years' production. The traditional markets of stamp printing, paper printing and general security printing have shown remarkable growth.

Greenaway · Harrison has been affected by the lower volume of business in the City following the stock market crash.

Roughnecks drilling ahead on exploratory oil well — Hondo Oil & Gas, Andrews County, Texas.



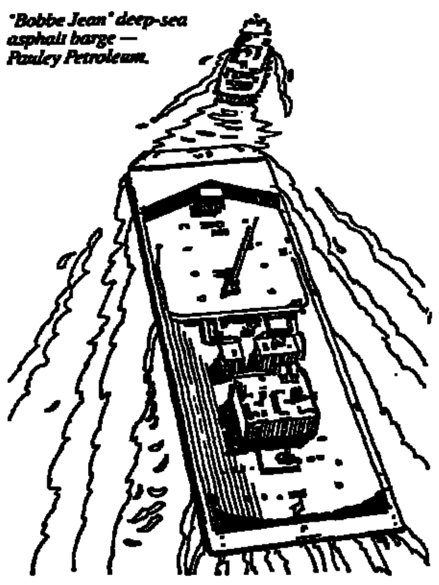
Jack Barclay, Rolls-Royce and Bentley distributor — London.

OIL AND GAS

Considerable progress was made during 1988 by the Group's equal venture with Mr. Robert O. Anderson, which owns nearly 81% of the American Stock Exchange listed Pauley Petroleum Inc. Pauley is one of the few independent integrated oil companies in the United States, combining substantial oil and gas reserves with significant refinery capacity in the highly attractive West Coast market.

Although Pauley's profitability was adversely affected by the erosion of oil prices, solid progress was made in both exploration and refining which will be of significant benefit in the future. Major improvements are under way at the Fletcher Refinery. Pauley participated in the drilling of 38 wells during the year and an exceptionally high 90% success rate was achieved.

'Bobbe Jean' deep-sea asphalt barge — Pauley Petroleum.



Pauley benefited from the increase in gas prices during the year.

ENGINEERING

The Firsteel Group significantly increased its profits for the year.

All companies within the steel division experienced a high level of demand for their products. Firsteel Metal Products, which produced over 85 million linear feet of metal this year, is currently investing in a new plant for the manufacture of decorative metal tiles for suspended ceilings.

The engineering division has continued to widen its product base and the group has acquired TBL Fibre Optics, manufacturing optical fibres for many specialised fields. Newell Dunford entered into a licensing agreement with Nittetu of Japan for the manufacture of industrial toxic waste processing plants.

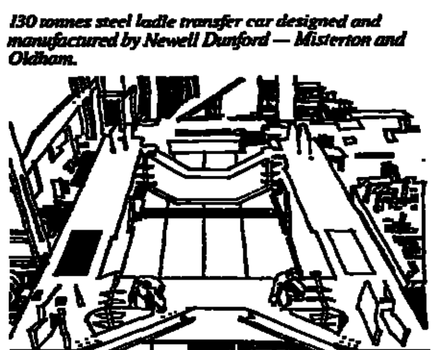
S E E were awarded a major contract in Oman for the construction of a domestic waste water treatment plant.

In Zambia the Group has acquired a majority holding in Rover Zambia, which assembles Land Rover, Toyota, Mitsubishi pick-ups and Volkswagen light commercial vehicles.

W. Dahmer & Co in Zimbabwe were again very active and earned record profits.

Ruhrglas encountered problems which would have restricted profitability for many years and it was therefore decided to sell the glass making operations, whilst retaining a valuable trade investment, which is carried in the balance sheet at a low value.

130 tonnes steel ladle transfer car designed and manufactured by Newell Dunford — Misterton and Oldham.



TEXTILES

During 1988 the Group's textile companies manufactured 52,300 miles of cloth.

It has been a highly profitable year for Lonrho Textiles. In the manufacturing division the major re-equipment programme is well under way. Accord exceeded profit targets and sales of own-brand products to major retailers are growing. The acquisition in August 1988 of Wooltons, the custom made curtain manufacturer and retailer, increased the number of retail outlets in the United Kingdom to over 300 and gives excellent joint business development prospects in suitable locations.

Record profits were achieved by the David Whitehead Group in Lancashire. John Barnes continued to develop a strong European customer base for industrial knitting with nearly 60% of production being exported.

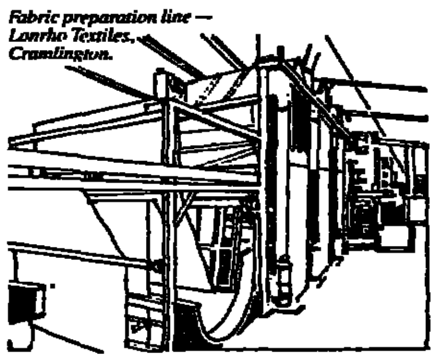
David Whitehead in Malaŵi produced over 28 million metres of cloth for the local market and for export.

In Zimbabwe David Whitehead increased production and sales although profitability was restricted. National Blankets produced over 3·1 million products.

The Mumbwa cotton ginnery in Zambia has processed over 16 million kilos of seed cotton in the year, achieving its maximum designed capacity.

In Botswana two new textile factories were opened in October 1988 producing cloth for export.

Fabric preparation line — Lonrho Textiles, Cramlington.



INTERNATIONAL TRADE AND GENERAL

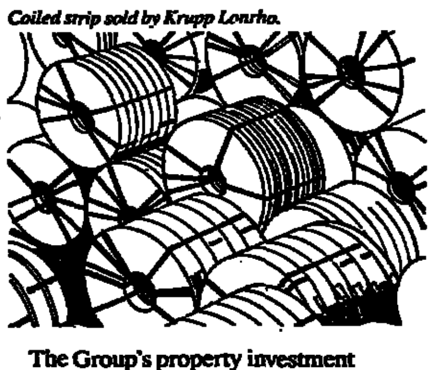
The Group's international trading activities were expanded during the second half of 1988 when Lonrho acquired, from Fried. Krupp GmbH, a 50% share in Krupp Handel, one of the big trading and services houses in West Germany, which operates worldwide and whose main activities are the export of steel, trading in fuel and raw materials, construction of industrial plant and the operation of a bulk shipping fleet of over three million deadweight tonnes.

The jointly owned company, now known as Krupp Lonrho, has 119 offices in 38 countries. This partnership means that Lonrho is even better prepared for the future single market of the European Community. Krupp Lonrho has traditionally good relations with the countries of Eastern Europe.

Lonrho has also extended its trading opportunities in the Pacific Basin with the formation of Lonrho Pacific, which has offices in Tokyo and Seoul and a management team, led by Associate Director John Kato, with extensive experience of the region.

Baumann Hinde, the Group's cotton merchanting company had a profitable but more restrained year. The effects of the drought in the United States and Hurricane Gilbert temporarily distorted an overall decline in cotton prices.

Coiled strip sold by Krupp Lonrho.



The Group's property investment companies had a very successful year, substantially improving their rental income through refurbishment of existing office property. The development of the new, twenty storey, Lonrho House in Nairobi has now started.

PJH Group has consolidated its position as the largest national distributor of kitchens, bathrooms and appliances in Europe.

Lonrho owns thirty aircraft based in a number of countries in Africa.

FREIGHT

Kühne & Nagel, which has 400 offices in 60 countries and is owned in equal partnership with Mr. Klaus-Michael Kühne, increased its profitability in the year.

The traditional forwarding activities of Kühne & Nagel, in addition to their warehousing and distribution operations, contributed to the growth in income during 1988. The Far East and Canada performed particularly well. A substantial improvement of results was also reported by the Unimar Group's shipping agency business.

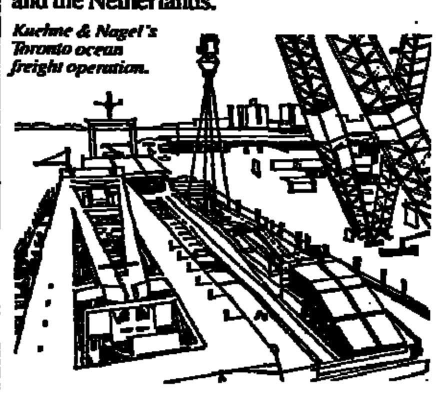
Kühne & Nagel's geographic expansion programme continued with joint ventures being formed and companies acquired in eight countries.

The further development of the European logistic concept, with the aim of operating local distribution networks in major European countries, has progressed.

The Kühne & Nagel air express service is being introduced in the main European countries with expected outlets in North America and the Far East. The Kühne & Nagel domestic air freight operation in the United States was further extended and now operates out of sixteen major cities.

Warehousing and distribution activities were enlarged by the expansion of storage facilities in Austria, Canada, Germany and the Netherlands.

Kuehne & Nagel's Toronto ocean freight operation.



The text is taken from the Chief Executive's Statement and Review of Operations contained in the Report and Accounts for the year ended 30 September, 1988 which will be published in late February.
Copies will be available from the Secretary, Lonrho Plc, Cheapside House, 138 Cheapside, London, EC2V 6BL.

LONRHO

Lonrho Plc, Cheapside House, 138 Cheapside, London, EC2V 6BL

IBC reaches agreement with Barham shareholder

By Clay Harris

INTERNATIONAL BUSINESS Communications (Holdings) yesterday reached a settlement on "strictly confidential terms" with one institutional shareholder in Barham Group who had challenged IBC's refusal to reopen the cash terms of its successful takeover of Barham in 1987.

The agreement with County NatWest Securities on behalf of two nominee subsidiaries was announced in the High Court. Together they held 1 per cent of Barham ordinary shares and 2.6 per cent of preference shares.

It gives little firm hope to any other Barham shareholder still holding out for cash that he or she will receive anything more than IBC's less attractive cash-and-share terms which are finally to be closed on February 9.

At yesterday's IBC closing price of 138p, buoyed by the company's separate announcement that it would tender in the market at 150p for up to 40 per cent of its shares, the shares-and-cash offer for Barham is worth 200p, still 50p short of the original cash terms.

The Takeover Panel made it clear yesterday that IBC was free to reach any settlement with County NatWest so long as the payment did not exceed the 250p at which IBC closed when it declared the Barham bid unconditional on October 2 1987.

All shareholders had been able to choose between the terms before that time, the Panel indicated.

The interpretation of Section 430A of the Companies Act, the provision at the centre of yesterday's legal action, was a matter for the courts, not the Panel.

Although it is unlikely that yesterday's agreement between IBC and County has any direct enforceability. It is possible that IBC might consider approaches from smaller shareholders.

With County now out of the way, only 0.01 per cent of Barham ordinary shares and 0.07 per cent of preference shares are outstanding.

Yesterday's settlement will be a relief to IBC, which could have been forced to come up with an additional £1.7m if County had won its case and the precedent been extended to all other dissenters.

The settlement, however, leaves unresolved the interpretation of Section 430A, which allows the last 10 per cent of shareholders in a company being taken over to demand the reinstatement of any terms which had been offered during the bid, even if they had subsequently been closed.

Unlike several other bidders which found themselves in this situation, IBC refused to do so.

A novel way of increasing the earnings

Clay Harris looks at the rationale behind IBC's plan to buy back its shares

MR MICHAEL Bell plans to set an example for fellow shareholders in International Business Communications (Holdings), the newsletters and conferences group which yesterday announced an unprecedented plan to buy up to 40 per cent of its shares at a fixed price in the stock market.

Mr Bell, IBC's chairman and chief executive, plans to tender 30 per cent of his 3.4 per cent stake. This will raise about £950,000 – the first time, he says, he has realised any of his investment in IBC.

Moreover, if the tender offer reaches its 40 per cent target, Mr Bell's own holding in the company will actually rise marginally – evidence of his confidence in the future.

It is a fine balance, but one which gives several strong clues to IBC's choice to proceed with a novel tender offer, rather than a fully-fledged bid to take the company private through a management buy-out.

In IBC's view, there are several advantages to its course:

- With IBC ruling out buying a majority of shares – even taking into account additional purchases through existing authority to buy in 14.9 per cent of shares – control of the company will not change. This avoids any suspicion, such as that voiced in some other recent buy-outs, that managers are trying to take control too cheaply.
- A full leveraged buy-out could saddle IBC with excessive borrowings. The limited tender should allow IBC to get the advantages of higher gearing and enhanced earnings without creating an imbalance in the relation between debt and equity.
- Retaining a stock market listing is especially important to a company in which many employees own shares and have share options.

However, although IBC may not be going all the way, its intention to swing towards borrowing and a reduction of the number of shares in issue as the best way to increase earnings has much in common with more conventional buy-outs.

Simply put, IBC believes that the market seriously undervalues its long-term prospects.

IBC's shares have suffered since the October 1987 crash, largely because of the perception that demand for its titles such as Stock Market Confidential, Fleet Street Letter and Penny Share Guide would wane in line with individual investors' appetite for the stock market.

Ironically this turned out not to be the case. Profits from tipsheets – Mr Bell calls a spade a spade, even if he might prefer "financial advisory publications" – actually went up in 1988 from the raging bull year of 1987.

To a large extent, this reflected costs saved through lack of promotion, while renewals ran at a healthy 60 to 65 per cent. In 1989, by contrast, IBC is budgeting for a 20 per cent decline in tipsheet profits from last year, as the promotion machine gets cranked up again.

The fall may be smoothed, however, by a £1m provision against 1988 profits which IBC is taking for deferred promotion costs. Excluding that provision, the £13.25m pre-tax profits estimated yesterday for the group as whole would have looked even more healthy.

Leaving aside the surprisingly buoyant performance of tipsheets last year, the important thing about them is that they account for only 25 per cent of IBC's profits. Half of the total comes from "business-to-business" publications, with the rest from other activities, especially conferences.

In an explanatory circular to be posted to shareholders today, IBC will unveil a revaluation of its titles in a *pro forma* balance sheet which assumes a 40 per cent take-up of the tender offer.

Of fixed assets of £72.4m, such intangibles account for £60.8m, tangible assets for £6.6m and investments for £6m. *At the bottom line, however,* the balance sheet will show IBC with negative net worth of £2.92m.

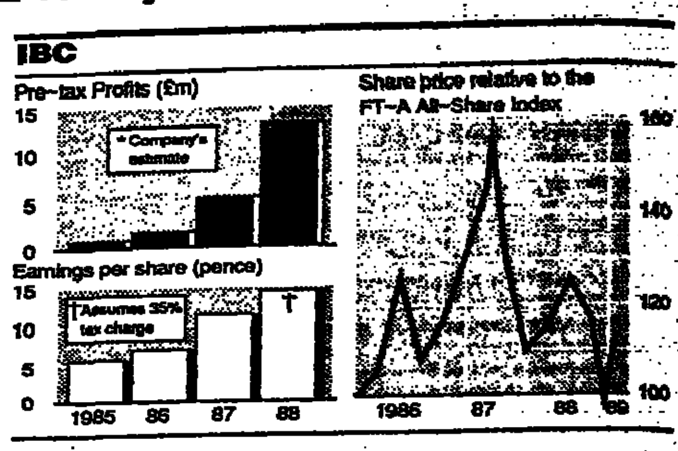
The picture will look a bit more rosy in the spring when IBC produces its accounts for 1988. By then, IBC hopes to have included a value for its conference business, probably £12m, in the balance sheet.

The valuation is based on calculations of the worth of the division's list of past delegates and the strike rate in terms of the number of mailshots it takes to convince them to attend a conference. It is an exercise which may give nightmares to balance sheet purists who are alarmed at the upsurge in brand and other valuations.

But Mr Bell maintains it is a conservative estimate.

The Dutch publishing group Elsevier's recent acquisition of a conferences company on 14 times earnings points to a £35m value for IBC's conference business. On four times pre-tax profits, another gauge widely used for bonus schemes in the sector, the business would be worth about £16m based on an expected out-turn of £4m in 1988.

In 1988, the rental of conference mailing lists and subscriber rolls alone is estimated to have produced pre-tax profits of £350,000 for IBC. Conference lists, for example, typically raise £125 per 1,000 names for a single rental.



KEY DATES IN THE CREATION OF IBC
1982: Michael Bell and four other managers buy Oyez International Business Communications, a small organiser of conferences, from the Solicitors' Law Stationery Society.
1985: International Business Communications (Holdings) created by reversing into RTD Group, a quoted but loss-making Irish-based engineer.
March 1986: Stonehart Publications, publisher of Stock Market Confidential and other newsletters, bought for £5.7m.
August 1986: International Insider Publishing bought for up to £3.5m and 72 per cent of Agra Europe for £466,260; two RTD subsidiaries sold.
September 1987: Barham Group, tipsheet publisher and advertising and marketing services company, bought for £98m.
March 1988: Thomas Deal, surveyor and property consultant, bought for £3.6m to combine with Barham's Teacher Marks subsidiary in preparation for stock market flotation.
November 1988: Teacher Marks Deal flotation plans suspended indefinitely.
January 1989: Tender offer launched to buy in up to 40 per cent of shares.

Dale Electric rises to £1.19m

By Nikki Tait

DALE ELECTRIC International, the generating sets and power systems manufacturer, yesterday unveiled pre-tax profits up from £861,000 to £1.19m in the six months to the end of October.

The turnover figure rose by 24 per cent to £24.2m (£19.5m), and Dale said the current order book was standing at a record £28m.

Earnings per 10p share, after a 32 per cent tax charge, are 40 per cent higher at 6.04p, but the interim divdend goes up only 14 per cent to 2p (1.75p) – although Dale said that dividend policy decisions tended to be made at the year-end stage.

Shares in the company, which saw off an unwanted bid from Sunleigh Electronics in mid-1987, fell 8p to 118p yesterday.

Dale said that its generating sets business – Dale GB – fared particularly well in terms of new UK business. Orders coming through in the first half included ones from the Stock Exchange, Reuters and for stand-by facilities on the first six phases of the new City Broadgate centre.

About 60 per cent of turnover on the generating sets side now comes from the UK rather than exports, a reversal of the position a few years ago. This, claims the company, is a result of its current policy of seeking better margin business, rather than volume.

Overall, the French battery charging and emergency lighting companies came in on target, although Dale conceded that the Elaul business slightly underperformed expectations with the others compensating. Some rationalisation of the French operations is underway, and should be complete by the autumn.

The Erskine Systems subsidiary also had some problems at the start of the year, when too much work descended at once, but Dale said that the situation had been corrected and the business should be back on target in the second half. Overseas interests in Thailand and Mexico were both faring well.

At the trading level, profits were up from £1.3m to £1.58m – suggesting that the trading margin has eased very slightly – while the interest charge is little changed at £497,000 (£500,000). Dale, however, said gearing was down to 48 per cent, with 45 per cent projected by the year-end.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Argyle	fin	4	–	3	4	3
Daejan Hldgs	int	8	-	8	-	19
Dale Electric	int	2	Apr 6	1.75	-	4.25
Derby Trust	int	6.823	Feb 28	6.097	11.882	10.849
Domino Printing	fin	2.1	Apr 7	1.7	3.6	2.9
Fleming Fledge	fin	2.6†	-	1.6	3.6	2.5
Goodhead Group	int	1.75†	Apr 7	1.5	-	4.5
Heavitree Brewery	int	11.6	-	10	14	12.4
Hill & Smith	int	3.45	Apr 6	2.75*	5	3.98*
Kershaw (A)	int	16.25	Apr 6	13.75	22.25	18.5
Lonrho	fin	8	Apr 6	8	13	11.1*
Lonrho	int	3	Apr 6	1	-	13
Mosaic Invs	fin	2†	Apr 7	1	-	3
Newmark (Louis)	int	5.3	-	5.3	-	14.7
Opt and Medical	int	1.65	Mar 31	1.5	-	4.6
Park Food Group	int	1.95	Mar 10	1.7	-	5.3
Rank Org'sation	fin	17.75	Apr 6	14.5	26.25	21.75
Tranwood §	fin	1.5	-	0.5‡	1.5	0.5‡
Warner Estate	fin	4.25	-	3.7	6.25	5.4
Wistrust	int	2.5	Mar 31	2.25	-	6.95

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Includes special 1p payment. ‡Dividend for previous Tranwood Group

Blenheim in £8.1m French acquisitions

By David Waller

BLENHEIM EXHIBITIONS, the acquisition-minded conference and exhibitions organiser, is expanding its operations in France with the FFr 90m (£8.1m) purchase of Sopros and Les Nouvelles du Monde, two related Paris-based companies.

The two companies, which specialise in publishing trade magazines and organising conferences such as the Equip'hotel for the hotel trade, made combined pre-tax profits of FFr 4.2m last year on turnover of FFr 65.6m.

The acquisitions are being paid for by the issue to the vendors of 1.13m new Blenheim shares, leaving them with 7.2 per cent of the company's enlarged equity.

Hollis sells window arm to GKN

By Andrew Hill

HOLLIS INDUSTRIES, the engineering services company bought by its management from Mr Robert Maxwell last year, has sold Hollicell, a manufacturer of windows and window components, to GKN, the engineering group.

GKN will pay up to £8.8m for the business, which isbased in Kingston upon Hull.

The division, and its 89 employees, will join GKN's existing window components subsidiary, BKL Extrusions.

Two weeks ago, Hollis announced the break-up and sale of Stothert & Pitt, the well-known Bath crane maker, with the loss of up to 350 jobs.

The closure is expected to release Stothert's valuable 15-acre site in Bath for redevelopment.

This should raise money to fund repayments on the £60m bank loan Hollis negotiated for last July's £105m buy-out.

Since the buy-out, Hollis sales have included: Millthorp, a refurbished printing and packaging business, to its management and Hollis Timber, a hardwood and materials importer, also to management.

Tranwood surges to over £4m

By Nikki Tait

TRANWOOD, the USM-quoted financial services group run by Mr Peter Earl and Mr Nick Oppenheim, yesterday reported a pre-tax profit of £4.28m in the year to end-December.

This contrasts with a figure of just £559,000 in 1987. It also compares with the £444,000 which the businesses contributed to Bear Brand, ahead of their "demerger" in mid-1988.

The split of the former fully-listed Tranwood Group took place in June. The hosiery business remained in the fully-listed company, which changed its name to Bear Brand. The financial services companies moved to a new USM company, taking on the Tranwood name.

Yesterday, Mr Earl said that the extremely sharp second-half progress was largely a reflection of the way that corporate finance fees had occurred over the year, and also to the realisation of some investment profits towards the year-end.

Within the pre-tax total, corporate finance made £3.17m (£634,000); the Ariel stockbroking business, £13,000 (£75,000 loss); and financial communciations, £29,000 (£2,000). Investment profits added another £988,000. Net interest receivable, within the pre-tax figure, was £475,000 (£39,000). The company says that it acted in deals with total value of over £540m.

Fully-diluted earnings per share were 2.94p and there is a dividend of 1.5p a share. Yesterday, Tranwood shares gained 1½p to 35p.

TI makes further divestment

By Clare Pearson

TI GROUP, the specialist engineering concern, has made a further, if modest, move in its programme of divestments with the £4m sale of two subsidiaries, Dartec and Rosand Precision.

The purchasing company, Polytest, was founded by the two managements, though its chief executive, Mr Chris Dalley, has been brought in from outside. He was formerly general manager for Europe at Mars Electronics.

Both Dartec and Rosand are involved in various kinds of testing. Polytest is backed by Lloyds Development Capital.

Earlier this month, TI announced the sale of three US subsidiaries for £48m in a deal which virtually eliminated its debt.

IWP International

IWP INTERNATIONAL has agreed the purchase of New Era Group for an initial £8m (£4.1m) in shares and cash. Further consideration of up to £23m may be payable dependent of New Era profits.

Hodgson plans financial services links

By Andrew Hill

HODGSON HOLDINGS, the UK's largest quoted funeral director, is to link up with Colonial Mutual Life Assurance Society, Help the Aged and British & Commonwealth Holdings to offer financial services to the bereaved and elderly.

The funeral company, which is quoted on the USM but should move to a full listing shortly, is also planning significant restructuring of the company, which could involve a cash injection from a larger partner.

Such a deal would enable the funeral director to continue its aggressive acquisition programme without having to call on shareholders for cash.

Neither B&C Ventures, the development capital subsidiary of British & Commonwealth, nor Hodgson would comment last night.

The long-awaited financial services package, Dignity in Destiny, and the restructuring will be announced formally on February 7. The joint venture with Colonial Mutual and Help the Aged will be aimed at providing financial advice to the bereaved both before and after the funeral.

Hodgson's quoted rival, Great Southern Group, already operates a joint venture, Chosen Heritage, with the charity Age Concern.

Under the scheme, launched two years ago, subscribers are guaranteed a funeral at a fixed price, paid in monthly instalments.

Age Concern, which became involved last April, sends information on the scheme to its local groups.

Argyle moves up 28% to £1.42m

Argyle Trust, financial services group, reported pre-tax profits for 1988 ahead by 28 per cent to £1.42m, against £1.11m. The result was achieved on income up from £5.72m to £7.99m.

After tax of £475,000 (£228,000) earnings per share were 4.43p (4.12p). Directors are recommending a single final payment of 4p (3p).

During the year advances to customers rose by more than 80 per cent to £60.5m.

Optical and Medical in 59% growth to £3.2m

OPTICAL and Medical International reported interim pre-tax profits ahead by 59 per cent at £3.19m, against £2m. In the six months to the end of September turnover rose from £19.03m to £27.69m, an increase of 45 per cent.

After tax of £1.05m (£692,000) earnings per 5p share were 5p (4.6p). The interim dividend is being raised to 1.65p (1.5p).

Mr Wensley Haydon-Baillie, chairman, said that he still believed there were opportunities for investment and acquisition. Since the end of the period the group had bought Madison Bureau and BBK Designs to extend the technical services activities and Phoenix Dental Castings.

He added that in Omitec Electro-Optics the activities had been refocused on avionics and other high technology products away from lower technology areas.

COMPANY NEWS IN BRIEF

DEAN & BOWES Group has appointed Robert Fleming as stockbroker in addition to its existing role as corporate finance adviser to the group.

EXCALIBUR JEWELLERY is changing its name to Excalibur Group.

FLEXTECH is selling its interest in Coflexip, the French flexible pipe maker, to Société de Banque Occidentale for FFr 27m (£2.4m).

HEYWOOD WILLIAMS has acquired Hall and Hamer (Aluminium) for an initial £300,000 in 109,488 shares; there is a maximum additional £300,000 cash payable depending on turnover. Hall and Hamer makes and instals shop frontages principally for petrol stations. In 1988 pre-tax profits were £189,000 on turnover £1.39m.

PICT PETROLEUM has sold interests of between 13 per cent and 20.25 per cent in nine onshore oil and gas exploration licences in Yorkshire to Tullow Oil, satisfied by the issue of 1m new ordinary and a retained net profit interest to Pict. A further consideration of 1m shares is dependent on planning approval.

QUESTER CAPITAL Management has raised additional equity of £1.5m to fund further expansion of its soft furnishing retailing subsidiary, Quester Capital Management.

REFLEX INVESTMENTS has acquired Camborn Computer Brokers for £1.42m, comprising £568,000 in cash with the balance via the issue of 774,546 ordinary shares. Camborn achieved pre-tax profits of £265,000 (adjusted) for the year to February 28 1988 and £278,000 for the nine months to end-November. Net assets being acquired total £216,000.

UK COMPANY NEWS

Taylor confident of share placing

By Nikki Tait

SIR FRANK GIBB, chief executive of UK construction group Taylor Woodrow said yesterday that he was "confident" that the 10 per cent holding which has ended up in the hands of Hoare Govett and Hambros, would be placed at some stage.

Putting a fairly philosophical face on Wednesday's debacle – when Hambros and Hoare Govett bought the 9.9 per cent interest amassed by Peninsular and Oriental Steam Navigation for 600p a share but failed to sell this on to institutions – Sir Frank added he believed both those shareholders were "supportive of the board's policies and principles".

On the possibility of Taylor Woodrow buying in its own shares, Sir Frank said that it would only be an option at present if the price fell substantially further. Current authorisation from shareholders allows the company to buy in a maximum 10 per cent of its shares at prices up to 500p. However, changing such power – subject of shareholder approval – was "always an option".

Taylor Woodrow shares fell sharply when trading opened yesterday, before recovering to close a net 5p lower at 578p. At this level, Hambros and Hoare Govett are showing a combined loss of just under £3.5m.

The 9.9 per cent stake is split equally between the two institutions, leaving them with holdings of just under 5 per cent each. Hoare Govett acts as stockbroker to Taylor Woodrow, as well as to P&O, while Hambros has advised both companies in the past. In the wake of the P&O stakebuilding, however, Taylor Woodrow appointed Schroder Wagg as its merchant bank, while retaining a relationship with Hambros.

Yesterday, Sir Frank did not seem unduly concerned at any potential conflict of interest arising for Hoare Govett. In response to questions over whether Wednesday's events *might necessitate the appointment* of any other brokers, he stressed that Taylor Woodrow regarded Hoare Govett's shareholding role as "a short-term situation".

Asking whether any undertakings or assurances had been given that the shares would not go to one unfriendly source, Sir Frank said only that he was confident that they would not be sold to a single buyer.

Yesterday, both Hoare Govett and Hambros were inclined to back Sir Frank's view. "Obviously as brokers to the company we will act in its best interests," said Hoare, adding that "everything will be done in as nice a way as possible."

Hambros commented, "we *certainly do not intend to sell* to a single buyer". It added that the stock had been split around different parts of the bank, but remained entirely beneficially owned and had not been passed into any funds under management.

Hill & Smith advances 58%

By Vanessa Houlder

HILL & SMITH Holdings, which has interests in steel stockholding, *fabricated* products and drop forging yesterday announced a 58 per cent rise in pre-tax profits from £3.5m to £5.52m for the year to September 30. Turnover increased by 34 per cent from £37.04m to £49.57m.

The company said that the current year had started well with a rise in turnover and profit in each of its three divisions.

It predicted an excellent year ahead, particularly as last year's cutbacks in public expenditure on motorways and trunk roads would no longer affect the fabrications division, which makes, among other things, road safety barriers and fencing.

Earnings per share advanced 58 per cent from 13.73p to 21.75p. A final dividend of 3.45p per share was proposed, making a total of 5p for the year – a 26 per cent increase. A 1-for-5 scrip issue was declared. The share price rose 5p to 231p.

Mystery approach for Splash

By Andrew Hill

SPLASH PRODUCTS, the T-shirt printer and character merchandiser, has received an unexpected and unsolicited approach which could lead to a bid for the company.

Shares in Splash, quoted on the Unlisted Securities Market, rose 5p to 3?p yesterday, valuing the whole company at about £12m.

That included shares issued for the recent £5m acquisition of Mobile, which could double the enlarged group's turnover in printed garments.

Splash refused to comment on the identity of the potential bidder yesterday, but a further announcement is expected very soon.

The enlarged group owns a portfolio of licences to print fictional characters on T-shirts. The characters include Garfield, the cartoon-strip cat, Roger Rabbit, cartoon hero of the film Who Framed Roger Rabbit? and Wicked Willy.

Last week, Splash announced pre-tax profits of £987,000 for the year to October 31, on turnover of £6.6m.

Munton rights

Munton Group rights issue was taken up in respect of 8.86m ordinary (80.3 per cent). The balance was sold in the market. Gartmore Investment acquired on behalf of clients 2.69m new ordinary shares. Together with the 2.87m new ordinary already held for clients this brings the total holding to 5.57m (15.84 per cent).

Philip Harris

Philip Harris Holdings has bought two chemists shops in the Cheltenham area for £612,000 cash.

GrandMet in talks for sale of US restaurants

By Lisa Wood

GRAND METROPOLITAN, the UK food and drink group, is in negotiations to sell two restaurant chains acquired in its recent $5.7bn (£3.22bn) purchase of Pillsbury, the US food and Burger King restaurant group.

GrandMet, for whom the US is an important market for its drinks brands, gave commitments to US regulatory authorities that it would divest Bennigan's and Steak & Ale because they sold alcoholic drinks. Legislation in most US states prevents distillers of alcohol from owning retail outlets that sell alcoholic drinks.

GrandMet said: "We have had a large number of enquiries for the two chains *including a team proposing a* management buy-out. However, nobody has signed on the line yet."

The group did not disclose the asking price but industry estimates put a price tag on the chains of about $300m.

Aviva in £22m bid for Viking Resources

By Ray Bashford

AVIVA PETROLEUM, the oil and gas investment company, is making a takeover offer for Viking Resources Trust which values the Ivory & Sime-managed investment trust at £22m.

The company is offering 55p cash a share for the trust which has a portfolio of quoted UK and international oil companies and investments in US oil and gas production.

Viking shares eased 1.5p to 55.5p following the announcement of the offer.

Aviva has launched the bid after purchasing a 15.2 per cent stake last year from Australian businessman Mr Alan *Bond and acquiring an option* earlier this month over a further 19.06 per cent from fellow Antipodean Sir Ron Brierley.

Viking yesterday advised shareholders against selling *their* shares and formal advice on whether the bid should be accepted is expected next week after a full board meeting.

Mr Lawrence Hockey-Sweeney, Aviva chairman, said the decision to launch the bid was made after discussions this week with Viking directors.

Viking's attraction to Aviva is its participation in 200 producing wells in the US which have been acquired since September 1986 as part of a policy to diversify away from its portfolio investments.

Mr Hockey-Sweeney said that if the bid was successful the majority of the portfolio, which last Tuesday was capitalised at £15.8m, would be sold-off.

However, he added that some investments would be retained and used as potential springboards for further acquisitions in a plan to develop oil and gas interests in the US and UK.

Aviva was formerly Jackson Exploration which floated in 1981 before running into problems related to the slide in the oil price. In November last year effective control of the company changed hands when Ferris Investments, in which Mr Hockey-Sweeney has an interest, acquired a 29.9 per cent stake.

West Trust reduces losses to £29,000

Reduced pre-tax losses of £29,000 were announced by West Trust, Rochdale-based yarn merchant, investment dealer and financial services company, for the half year to September 30 1988. Comparable losses amounted to £317,000.

Turnover jumped from £344,000 to £1.01m generating an operating profit of £12,000 (£5,000 losses). Losses per 2.5p share worked through at 0.09p (3.38p).

The directors said that measures had been taken to rectify the situation of Associated Spinners which incurred a loss. The newly-acquired companies, Indo African Exports, Ken Moore and Ashmoor (Textiles) would contribute to the full year results and prospects for the group were very encouraging, they added.

Biotechnology

Biotechnology Investments total net assets at November 30 stood at $130.84m, compared with $125.52m. Gross revenue for the six months to end-November totalled $1.54m ($1.49m). Revenue before tax was $191,370 ($546,774). Earnings per share 0.2 cents (0.8 cents).

ASD purchase

ASD has acquired Glen Metals, Lanarkshire-based specialist sheet and plate stockholder, from John Williams of Cardiff for £800,000 cash. Following a property revaluation Glen has a net asset value of £712,000 compared with £534,000 in the end-September balance sheet.

Gt Portland issue

Great Portland Estates, the *property investment company*, is raising £35m by way of a further tranche of its First Mortgage Debenture Stock 2016. The proceeds will be used to finance further property investment, development and refurbishment.

Minorco appears confident about result of MMC inquiry

By Kenneth Gooding, Mining Correspondent

THE SO-CALLED "three young turks" who are executive directors of Minorco, the South African-controlled investment group, appeared confident this week that the UK Monopolies and Mergers Commission had found no reason to rule against Minorco's hostile bid for Consolidated Gold Fields, the UK-based diversified mining group.

"We had no difficulties going through the MMC process. We did not go away as some people suggested we would. We look forward to the decision," said Mr Roger Phillimore, Minorco's commercial director.

He and his colleagues, Mr Hank Slack, the director responsible for North America, and Mr Tony Lea, finance director, said they were heartened by the forthright way in which Lord Young, the UK industry secretary, had refused to hold up publication of the MMC report until completion of a separate inquiry by his department's inspectors into possible insider trading in Gold Fields shares.

The Department of Trade and Industry said that the inspectors had produced an interim report which the MMC had studied before reporting to Lord Young.

Mr Phillimore indicated that he believed that the MMC would concentrate solely on competition issues in its report and that there were none that would cause it to rule in a way unfavourable to Minorco.

He suggested it was unlikely the MMC would take Minorco's South African parentage into account because it was not UK Government policy to impose sanctions against South Africa or South African companies.

Minorco was also confident that it could deal satisfactorily with any inquiry by the European Commission, said Mr Phillimore. Minorco had already talked to the Commission, "and our clear impression was that it was properly briefed".

The indications were that the MMC report would be published in four to five weeks. Mr Phillimore said that, although the decision was very important, "it is not a matter of life or death for Minorco. We have a $3bn company with no debts and some fine assets.

"This is not a Holy War for Minorco. But we feel it is perverse that the Gold Fields board seems to feel its main interest is to protect its shareholders from receiving an offer. Gold Fields seems to have very little trust in its shareholders and what they might do."

News Digest

WINTRUST

Earnings ahead 14% to 15.42p

WINTRUST, the London-based merchant bank, reported pre-tax profits up from £2.08m to £2.34m in the six months to end-September 1988.

Earnings moved ahead by 14 per cent to 15.42p per 20p share, and the interim dividend is lifted to 2.5p (2.25p).

Mr Richard D Sapiro, managing director, said activity levels were growing substantially and new business was at record levels.

He added that notwithstanding this, the balance sheet remained extremely strong with liquid assets at 45% of total assets and 54% of deposits.

Retained profits were £1.09m, compared with £956,828, after ordinary and preference dividends totalling £415,770 (£394,638).

MOSAIC INVESTS

Profits jump to £0.7m halfway

Mosaic Investments, a holding company, achieved a jump in pre-tax profits from £283,000 to £718,000 in the six months ended October 31 on turnover ahead at £6.25m compared with £3.08m.

The interim dividend is doubled to 2p partly to reduce disparity, while earnings per 10p share improved from 4.47p to 7.82p.

Since its annual meeting in October Mosaic has made five acquisitions which it *expects will benefit the group* in the second half. At a divisional level industrial products contributed operating profits of £425,000 (£244,000) on turnover of £4.35m (£3.06m) and consumer services and products £185,000 on sales of £1.9m.

LOUIS NEWMARK

Warning on full year

Louis Newmark, an electronic and precision engineer and watch distributor, experienced a £94,000 drop in pre-tax profits to £517,000 for the half year ended October 1 1988. Turnover fell from £23.26m to £19.78m.

Furthermore, the directors warned that as a consequence of the aircraft division suffering an unexpected fall-off in development income, profits for the second half might not match those for the first six months.

Earnings amounted to 11.3p (13.4p). The interim dividend is held at 5.3p and the directors anticipate maintaining the total at 14.7p.

STONEHILL HLDGS

Improvement continues

The recent improvement at Stonehill Holdings, furniture maker and property investor, continued in the six months to October 16 with a fall in the pre-tax loss from £934,000 to £396,000. Mr James Buchanan, chairman, said the results were encouraging.

Turnover fell to £6.01m (£7.05m) following a move into higher margin products in the manufacturing division. The loss per share came out at 2.52p (5.98p).

WARNER ESTATE

Advances 30% to £5.78m

Warner Estate Holdings, the property investment company, raised pre-tax profits 30 per cent to £5.78m in the year to end-September. Turnover totalled £13.74m – up from £12.54m last time.

Earnings per 5p share rose to 7.77p (5.96p) and a proposed final dividend of 4.25p makes 6.25p (5.4p) for the year.

An extraordinary charge of £808,000 related to substantial bad debts experienced by the builders' merchanting subsidiary which was sold during the year.

DAEJAN HOLDINGS

Fall of 25% at midterm

Daejan Holdings, the property investment and trading company, reported a 25 per cent fall in group profits before tax from £13.4m to £10.03m in the six months to end-September 1988.

After tax of £3.6m (£4.85m) earnings per share came out at 39.41p (52.23p). An unchanged interim dividend of 8p is being paid.

Directors said that during the second half a major sale had been completed, as a result of which pre-tax profits for the full year to end-March are expected to be well above last year's.

BIRMINGHAM MINT

Wembley site sold for £3.3m

Birmingham Mint Group is selling its Wembley factory for £3.3m, with £330,000 paid on exchange of contracts and the balance of £2.97m at completion on May 31 1989.

The three-acre site was acquired in January 1987 when the group bought the electrical contacts business of Johnson Matthey, for £2.7m. The sale proceeds will used to reduce group borrowings which were increased by the reorganisation costs incurred earlier in the financial year.

FLEMING TRUST

Assets and earnings up

Net asset value per 25p ordinary share of the Fleming Fledgeling Investment Trust rose by 32.4p to 235.1p over the 12 months ended December 31.

Available revenue for the year expended to £486,322 (£328,354), equal to earnings of 3.87p (2.16p). A final dividend of 1.6p makes a same-again total of 2.6p. There is also a special payment of 1p.

In the current year the directors plan to introduce an element of long-term borrowing. Although this will affect earnings in the short term, their present intention is to maintain the dividend total at 2.6p.

PARK FOOD

Traditional first half losses rise

Park Food Group, which packs and supplies hampers, reported an increase in its traditional first-half losses from £2.09m to £2.89m pre-tax in the six months to September 30 1988. Profits for the year to March 31 1988 were £2.28m. Turnover was *marginally down at* £15.39m (£15.75m). The interim dividend is raised to 1.95p (1.7p).

DERBY TRUST

Net asset value rises 11%

The net asset value of Derby Trust capital shares was 325p per share at December 31, a rise of almost 11 per cent on the figure of 293p prevailing a year earlier.

Directors of the investment trust declared a second interim dividend on the income shares of 6.823p making a total of 11.8824p (10.849p) for the year to end-1988.

HEAVITREE BREWERY

Profits rise 12% to £1.14m

Heavitree Brewery, which ceased brewing in May 1970 to concentrate on the distribution of wines and spirits, reported pre-tax profits up from £1.02m to £1.14m in the year ended October 1988. Turnover rose to £5.56m (£5.36m) and earnings per share were 45.1p (37.1p). Final dividend is 11.8p (10p) making 14p (12.4p).

COMMODITIES AND AGRICULTURE

Cocoa agreement talks remain in deadlock

By David Blackwell

THE INTERNATIONAL Cocoa Agreement talks last night remained in the deadlock which has left the pact effectively frozen for the past year.

"It's just about as farcical as it can be," said a leading consumer delegate last night. The London talks, which started on Thursday last week, are scheduled to end this evening.

The bearish impact of the talks has already been discounted in the London market, dealers said yesterday. The May contract added £6 to close at £860 a tonne.

Mr Peter Baron, the normally optimistic spokesman for the consumer countries, said yesterday that he was not hopeful that progress would be made today.

On Wednesday he said that a consumer proposal for a retrospective cut in the range of prices to be defended was "a last effort to reactivate the agreement." But producing countries yesterday were unable to agree among themselves on the proposal.

The key issues at the talks remain unresolved. The range of prices to be defended still stands at 1,485 to 2,155 Special Drawing Rights a tonne despite the fact that the ICCO indicator price has fallen to 1,064.02 SDRs a tonne. The arrears in the $30-a-tonne levy due to the ICCO on exports and imports of cocoa have reached $84.6m.

The buffer stock stands at the maximum permissible 250,000 tonnes, and the plan for a withholding scheme to take a further 120,000 tonnes from the market remains stymied by both the lack of funds available and the failure to agree a defence price range.

It looks increasingly likely that the talks will end tonight only with agreement to carry on talking at the next meeting in September, a consumer delegate said last night.

Unless producer countries start to clear their debts, the buffer stock manager, who must rotate his cocoa stocks to maintain the quality, will be almost out of money by then, and the buffer stock will have to be gradually sold off.

Malaysian commodity earnings hit record

By Wong Sulong in Kuala Lumpur

EXPORTS OF Malaysian commodities last year rose by 16.5 per cent to a record 28.3bn ringgit ($10.4bn), the Ministry of Primary Industries said in its annual review, published yesterday.

Exports of non-oil commodities were particularly strong, rising by 16 per cent over the 1987 level 19.5bn ringgit.

Rubber exports rose by 3.5 per cent to 1.61m tonnes, but higher prices boosted their value by nearly 32 per cent to 5.15bn ringgit.

It was a similar picture for palm oil and palm products. Although the export volume rose by only a relatively modest 2 per cent to 4.1m tonnes, earnings were 36 per cent higher at 5.4bn ringgit.

The review said tin and timber prices also recovered, but prices of cocoa were depressed because of the world glut.

For the current year, the ministry said it saw a "mixed" outlook. According to Dr Lim Keng Yaik, the Primary Industries Minister, prices of rubber and tin should remain firm. Prices for palm oil were expected to soften a little, while prospects for cocoa remained gloomy.

"Overall, we should be getting more money for our commodity exports for this year, but the increase would not be as buoyant as the past two years," Dr Lim suggested.

He expressed great confidence in the export prospects for Malaysian palm oil, because it was the cheapest vegetable oil in the world, but added that the Government would not be encouraging further expansion in the cultivation of cocoa.

"I feel we are already producing too much cocoa and we need a breather for prices to catch up," he said.

Palm oil stocks rose 55 per cent in 1988

MALAYSIAN palm oil stocks rose 55 per cent last year, according to the Palm Oil Registration and Licensing Board.

However, the board's end-December figure of 795,000 tonnes was well below an earlier estimate of 900,000 to 950,000 tonnes claimed by the Palm Oil Refiners Association (Poram).

Traders say the Porla figures, regarded by the industry as the most reliable, should give a boost to market sentiment, but in the longer term high stocks are expected to push prices lower.

Meanwhile concern about US demand has been heightened by Procter and Gamble's recent decision to remove palm oil from the market-leading Crisco brand of vegetable shortening. Malaysian palm oil officials said several other large American companies, including the McDonald's hamburger chain, were taking similar steps.

Stock valuation boosts forestry return

By James Buxton, Scottish Correspondent

BRITAIN'S Forestry Commission says that it beat the target rate of return set by the Government for its commercial forestry activities in the last financial year. But the rate of return of more than 3 per cent which it achieved was due in part to a big increase in the value of the growing stock of timber.

In its annual report for the year to March 31, 1988 the commission says that its forestry enterprise, which grows and sells timber, had income, mainly from timber sales, of £72.5m and expenditure of £85m.

But when £70.3m is allowed for the increase in the value of the growing stock – which is revalued every three years – plus a surplus of £1.2m on sale of properties, it claims an operating surplus on its forestry enterprise of £59m.

The Commission has been criticised in the past for its allegedly poor rate of return on assets. But it claims to have beaten the 3 per cent standard set for the rate of return of the forestry enterprise activities by £2.4m.

The forestry enterprise made a net call on exchequer funds of £27.8m compared with £33m in 1986-87. The Commission's total net call on exchequer funds amounted to £48.1m, of which £20.3m went to pay for its regulatory functions.

The Forestry Commission says it is too early to say how the major changes in Government forestry policy introduced in the March 1988 budget will affect planting. These involved the phasing out of tax incentives for forestry and their replacement by increased grants.

It says: "There will clearly be a period of adjustment while forestry interests assess the new situation, and the transitional tax arrangements will contribute to cushioning the effect of the changes."

Banana producers anxious about 1992

Canute James studies the implications of the EC's single market for the Caribbean

CARIBBEAN countries, which supply about seven out of every ten bananas eaten in Britain, have been reassured by the UK Government that their preferential access will be maintained after the EC dismantles internal trade barriers at the end of 1992.

The undertaking, given this month by Mr Christopher Patten, the Overseas Development Minister, has brought relief to the region's producers, many of whose economies rely on special access to Britain. But there is still some uncertainty about how the British Government will be able to fulfil its promise.

Mr Patten told producers in the Windward Islands that Britain wanted to fulfil its "long-standing commitment" to provide preferential access for bananas from the Caribbean. "We intend to stand by our traditional suppliers," the minister said. "There should be absolutely no doubt about that. My colleagues and I have made that clear. More important, some of you may think, Margaret Thatcher has made that clear. We all mean what we say, and say what we mean."

That assurance came after several months of increasing concern in the Caribbean's banana industry that the loss of protection after 1992 would destroy the industry, and the basis of several island economies. The region producers – the Windward Islands, the French overseas departments, Belize, Jamaica and Suriname – have combined annual exports of about 650,000 tonnes, providing a quarter of the European Community's bananas.

But the Windwards – St Lucia, St Vincent, Dominica and Grenada – are high cost producers who have only managed to ship increasing quantities to the British market because more competitive fruit has been kept out. The industry would be wiped out if it had to compete with more cost competitive producers after 1992.

Mr Ray Hilbourne, banana sector chairman for Geest Industries, which markets the Windwards' fruit in Britain, said the group earned about $150m from banana exports to the UK last year. "These earnings cannot be replaced and the fear is that if we do not get the right arrangements we could see the economic collapse of the Windwards. These changes must be measured in terms of the potential damage to the region."

The region's concern about how the British government will deliver undertakings given by Mr Patten and his colleagues have been deepened by the more equivocal line taken by EC representatives.

"For Caribbean bananas the traditional market is the UK," Mr Erich Wirsing, the European Commission's director for Central and West Africa and the Caribbean, told a recent conference on Caribbean trade. "To comply with the banana protocol (of the Lomé Convention on aid and trade between the EC and members of the African, Caribbean and Pacific group of countries), this market is at the moment isolated from dollar bananas. Such a situation inside the Community is not compatible – we have to be frank about this – with the free circulation that 1992 will bring. Consequently, the present internal arrangements cannot be expected to continue."

Mr Wirsing said, however, that the European Community had a commitment not to abandon the main product of certain ACP countries, as this would threaten their economic survival. "An answer has to be found. Whatever the formula will be, it is simply unthinkable that the community will not ensure the survival of traditional exports from Belize, Dominica, Grenada, Jamaica, St Lucia, St Vincent and Suriname."

While taking account of the assurances, Caribbean producers have started work on proposals to be put to the EC to cushion the impact of cheaper dollar area fruit on the market on which they have come to depend. In meetings attended by representatives of the Windward Islands, Jamaica, Belize, Martinique, Guadeloupe, Cameroon and the Ivory Coast, the producers have reached an agreement in principle that there will be a need to control third country access to the European banana market and for a mechanism which will fix prices at a level which will allow a fair return for even the higher cost producers.

But officials already admit that such proposals fly in the face of the so-called "single market" planned for the EC after 1992. Finding a way round this dilemma is clearly not easy. But for the Caribbean producers it is vital.

"Even if these dollar bananas are subject to a 20 per cent customs duty, their cost of production is sufficiently competitive to permit them to compete successfully with and displace Caribbean bananas from any part of the EC market," argued Mr Ray Robinson, prime minister of Trinidad and Tobago. "This situation is even more threatening when one takes into account, as one must, the likely reduction in the community's 'most favoured nation' duty for bananas as a result of the current Uruguay Round of trade negotiations."

For many Caribbean producers, shifting from bananas to other crops does not provide an economically viable alternative. Diversification took time and cost money, said Mr Carl Greenidge, Guyana's Finance Minister and chairman of the ACP Council of Ministers. He explained that the economies of the producers were small, and that what might be considered to be marginal changes in their foreign trade could have far reaching economic and social consequences.

"Our feelings on this are strengthened by the fact the prospects for diversification in the Windwards are very limited," Mr Patten said. "The development of alternative crops remains vital, and we will do whatever we can to help with it. But in the Windwards, nothing in the foreseeable future could replace bananas as a crop guaranteeing high income and employment on a large scale. We know that our commitment helps sustain economic and social stability in the region because of the vital contribution it makes to the national incomes, the export earnings and to the rural employment of a number of countries."

"This is very encouraging for us," said a senior St Lucian official. "At least we have a bankable guarantee on which we can plan our industry and our economy, while implementing a phased diversification from bananas. But this will be countered by the extensive deregulation of markets in the Community after 1992. We await details of the British plan with some interest."

Under the Lomé Convention some countries can receive compensation from the community for shortfalls in anticipated hard currency inflows under a stabilisation of export earnings (Stabex) programme.

Mr Charles Maynard, Dominica's Minister of Agriculture, reflected the mood of the region, which falls somewhere between cautious optimism and growing concern, when he said: "We do not have to see Europe as a threat, but Europe must not put us in a position where we continually need Stabex."

CURRENT ARRANGEMENTS for the access of Caribbean bananas into the EC market were "sacred and untouchable" and any change could subject growing countries to Central American-style instability, Mrs Eugenia Charles, the Prime Minister of Dominica said this week, writes David Buchan from Bridgetown, Barbados.

Addressing a joint meeting of European Parliamentarians and representatives of 66 African, Caribbean and Pacific countries, Mrs Charles predicted "disaster" if the EC did not find some way to extend – beyond 1992 – the existing protection for ACP banana producers that is based on national subdivisions in the Community market. All such subdivisions are supposed to vanish in 1992 with the advent of the EC's single market.

Speaking on behalf of all ACP producers, the Dominican Prime Minister called on the EC to maintain the "banana protocol" in the new Lomé aid and trade convention between the 12 EC states and the ACP countries. The current Lomé Convention, expiring early next year, promises ACP banana producers no deterioration in their EC market access.

At present some 20 per cent of EC banana supplies are imported – duty free – from former UK, French, and Italian colonies. Another 25 to 30 per cent comes from within the Community itself. The remaining half comes from the so-called dollar area in Central America – some of it duty-free, as into West Germany, but the rest bearing a 20 per cent tariff.

Given Central America's economies of scale, Mr Edwin Carrington, the ACP secretary general, told the Bridgetown meeting that, "even if all dollar area bananas bore a 20 per cent duty, they would still sweep all ACP bananas off the EC market." He said no alternative solution could be found within negotiations under the General Agreement on Tariffs and Trade that would afford ACP producers benefits comparable to those they already enjoyed under the Lomé Convention and in the EC's existing market arrangement.

While acknowledging the need for future diversification, Mrs Charles stressed the Caribbean's present dependence on banana exports. The Windward Islands alone accounted for 90 per cent of total ACP banana exports to the Community, running at 500,000 tonnes a year.

She said the ACP producers had Britain's firm backing for their plea for continued EC market protection, and the francophone Caribbean producers this week emphasised their solidarity with ACP demands.

Any attempt to make Caribbean producers compete head-on in the European market with their Central American rivals would make the former liable to the social and political ills – very low wages, political instability, even military coups – that have plagued the latter countries, Mrs Charles predicted.

She did not believe Europe wanted that.

Brussels urged not to cut price for imported sugar

By David Buchan in Bridgetown, Barbados

THE GROUP of 66 African, Caribbean and Pacific (ACP) states has warned the European Community against cutting the price for imported sugar in line with the Brussels Commission's recommended 5 per cent reduction in the price guaranteed to EC sugar beet growers for the 1989-90 season.

Mr Carl Greenidge, the Guyanan Finance Minister and president of the ACP Council of Ministers, said that the ACP countries could not accept an automatic link between the internal EC price and that for sugar imported under a special arrangement with the ACP group.

He said it was EC beet production that needed to be curbed, not the price of ACP cane sugar, on which "hundreds of thousands depended for their entire existence."

By a special sugar protocol in the Lomé aid and trade convention, the EC is committed to taking 1.3m tonnes a year of ACP sugar at a price which has in practice followed the internal EC price.

For the last three years the EC has frozen both sugar prices to help control EC farm spending.

The Commission has suggested it will pay some compensation to ACP countries for any cuts.

But Mr Raymond Chasle, the ambassador of Mauritius, which alone accounts for 500,000 tonnes of the ACP sugar quota, noted that previous promises of compensation for the recent price freeze had not yet been fulfilled, and he was sceptical about Brussels delivering on any new commitment.

ACP sugar producers complain that the actual price they received last year, in the currency of the UK, which is the destination of most ACP sugar shipments, fell by 7 per cent because of changes in the Community's agri-monetary arrangements. At the same time, freight rates had risen by 21 per cent.

WORLD COMMODITIES PRICES

LONDON MARKETS

THE LONDON Metal Exchange zinc market bounced to fresh records yesterday, following the previous day's brief setback. In the cash position Wedesday's $17.50 fall was easily recouped with a $40 rise to $1,822.50 a tonne as traders refocussed on the possibility of another prolonged strike in the Peruvian mining industry. Miners began a three-day meeting in Lima yesterday to discuss measures in support of claims for better pay and conditions. Other LME base metal markets ended the day lower. Most notable was cash copper's £38 fall to £1,863 a tonne, which followed a £76.50 decline on Wednesday. Dealers noted that rising stocks and freer availability of metal had resulted in a sharp narrowing in the cash premium over three months copper.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.70-4.80z	-0.05
Brent Blend	$17.50-7.60w	+0.10
W.T.I. (1 pm est)	$18.12-8.17z	-0.06
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$182-184	+½
Gas Oil	$152-154	+6
Heavy Fuel Oil	$73-75	+½
Naphtha	$159-161	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$405.50	+1.25
Silver (per troy oz)♣	617c	+4
Platinum (per troy oz)	$539.75	+9.25
Palladium (per troy oz)	$139.75	+1.25
Aluminium (free market)	$2375	+10
Copper (US Producer)	161⅝-63¾c	-2⅛
Lead (US Producer)	40c	
Nickel (free market)	850c	+20
Tin (European free market)	£4330.0	-12.5
Tin (Kuala Lumpur market)	20.42r	-0.04
Tin (New York)	351.75c	+0.25
Zinc (US Prime Western)	76⅞c	
Cattle (live weight)†	110.07p	-1.36*
Sheep (dead weight)†	140.97p	-6.44*
Pigs (live weight)†	81.78p	+3.34*
London daily sugar (raw)	$239.6x	+1.6
London daily sugar (white)	$278x	+2
Tate and Lyle export price	£243	+1
Barley (English feed)	£115w	
Maize (US No. 3 yellow)	£132.5	
Wheat (US Dark Northern)	£123v	
Rubber (spot)♥	64.0p	+1.5
Rubber (Mar)♥	71.5p	+1.5
Rubber (Apr) ♥	72.0p	+1.5
Rubber (KL RSS No 1 Feb)	315.0m	+6.5
Coconut oil (Philippines)§	$535x	
Palm Oil (Malaysian)§	$395z	
Copra (Philippines)§	$350	-10
Soyabeans (US)	$183	-4
Cotton "A" index	63.30c	-0.35
Wooltops (64s Super)	560p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. w-Feb. v-Apr/May. u-Feb/Apr. q-Apr. x-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	850	846	850 834
May	860	854	860 843
Jul	846	840	846 835
Sep	845	839	845 835
Dec	855	853	855 846
Mar	860	855	860 852
May	870	862	860

Turnover:3049 (5658) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 25: 1097.74 (1117.58):10 day average for Jan 26: 1064.02 (1059.98) .

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1193	1192	1200 1186
Mar	1172	1180	1189 1171
May	1144	1143	1152 1140
Jly	1130	1128	1137 1125
Sep	1125	1125	1126 1120
Nov	1120	1126	1123 1118
Jan	1126	1130	1123

Turnover:3200 (3874) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 25: Comp. daily 122.34 (122.02); . 15 day average 126.36 (127.31).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	210.60	211.80	213.80 210.00
May	216.00	216.80	218.80 215.40
Aug	215.60	216.40	218.00 215.60
Oct	216.00	216.00	217.40 216.00
Dec	214.00	214.80	213.00
Mar	211.40	212.00	211.20
White	**Close**	**Previous**	**High/Low**
Mar	271.00	271.00	272.00 269.00
May	262.50	263.00	264.50 257.00
Aug	262.50	262.50	264.50 262.00
Oct	258.50	255.80	257.00 255.00
Dec	253.50	254.00	
Mar	250.50	251.00	250.50
May	248.50	249.00	248.50

Turnover: Raw 2228 (6864) lots of 50 tonnes. White 1710 (2583).
Paris- White (FFr per tonne): Mar 1700, May 1650, Aug 1650, Oct 1605, Dec 1580, Mar 1572

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2200	184	187	23	84
2300	115	134	53	129
2400	65	93	101	185
Copper (Grade A)	**Calls**		**Puts**	
3000	306	283	39	180
3200	173	175	105	267
3400	85	111	215	419

FRUIT AND VEGETABLES
Lychees are in good supply this week at £1.30-1.75 a lb (£1.50-1.90) as are peaches from Cape and Chile 25-40p each (25-45p) and early forced rhubarb is also available 40-65p a lb (45-60p), reports FFVIB. Galia melons from Carmel are £2.00-2.50 each, while oranges 8-25p and bananas 40-58p a lb remain stable. Cauliflowers are abundant at 40-65p each (45-70), and both Brussels sprouts 5-27p a lb and leeks 35-55p are plentiful. Supplies of courgettes are fairly short at 80p-£1.20 (70p-£1.00). The first English shallots are in at 55-75p. The prices of tomatoes 50-70p and iceberg lettuce 60p-£1.00 remain static, while cucumbers are still in short supply 80p-£1.00. Watercress 30-40p a bunch and Chinese leaves 75p-£1.00 a head are unchanged.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 6,650 tonne
Cash	2355-60	2360-70	2373	2370-3		
3 months	2325-30	2330-5	2335/2320	2333-5	2325-30	24,221 lots
Copper, Grade A (£ per tonne)						Ring turnover 36,600 tonne
Cash	1862-4	1900-2	1895/1860	1880-2		
3 months	1791-2	1819-20	1815/1780	1806-8	1791-2	65,114 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	611-2	607-10		614-5		
3 months	624-5	619-22		627-8		404 lots
Lead (£ per tonne)						Ring turnover 4,550 tonne
Cash	375-7	376.5-7.5		376-6.5		
3 months	377-8	379-9.5	380/377	379-9.5	378.5-9	9,625 lots
Nickel ($ per tonne)						Ring turnover 564 tonne
Cash	18400-50	18450-650	18500	18500-50		
3 months	18000-100	18000-100	18250/17900	18050-100	17950-17975	5,846 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 2,550 tonne
Cash	1885-90	1825-30	1885	1880-5		
3 months	1835-40	1798-800	1840/1830	1825-30	1835-45	3,337 lots
Zinc ($ per tonne)						Ring turnover 16,375 tonne
Cash	1820-5	1780-5	1825/1775	1823-8		
3 months	1775-8	1745-8	1800/1755	1775-7	1785-90	11,903 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	55.0	53.0	
Apr	69.3	66.3	70.2 67.9
May	79.5	78.4	80.5 78.0

Turnover 275 (171) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	163.50	164.50	
Apr	164.00	167.00	165.50 163.00
Jun	158.00	159.00	157.50

Turnover 83 (155)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jan	1628	1627	1630 1628
Feb	1619	1615	1634 1613
Apr	1647	1646	1660 1635
Jul	1438	1435	1445 1433
Oct	1580	1580	1580
Jan	1590	1585	1590
BFI	1633	1634	

Turnover 536 (325)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	113.00	114.00	113.50 112.95
May	116.60	117.50	117.00 116.60
Jun	118.25	119.10	118.50 118.25
Sep	102.95	103.00	102.95 102.90
Nov	105.35	105.40	105.35
Jan	108.80	108.95	108.80 108.75
Barley	**Close**	**Previous**	**High/Low**
Mar	109.90	110.70	110.55 109.90
May	111.90	112.70	112.25 111.90
Sep	100.20	100.15	100.20
Nov	102.90	102.75	102.90 102.75

Turnover: Wheat 419 (114) , Barley 159 (30) .
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	405¼-405¾	228¾-229¼
Opening	408¼-408¾	229¼-229¾
Morning fix	408.00	228.732
Afternoon fix	408.25	229.093
Day's high	408½-407	
Day's low	405-405½	

Coins	$ price	£ equivalent
Mapleleaf	417-422	235-238
Britannia	417-422	235-238
US Eagle	417-422	235-238
Angel	417-422	235-238
Krugerrand	404-407	228-230
New Sov.	95¼-96¼	53¾-54½
Old Sov.	95¼-96¼	53¾-54½
Noble Plat	548.10-557.25	309.30-314.50

Silver fix	p/fine oz	US cts equiv
Spot	348.75	619.00
3 months	359.65	632.90
6 months	371.10	648.75
12 months	391.70	678.60

CRUDE OIL $/barrel

	Close	Previous	High/Low
Mar	16.78	16.52	16.90 16.62
Apr	16.26	16.17	16.40 16.18
IPE index	16.46	15.89	

Turnover: 4782 (5071)

GAS OIL $/tonne

	Close	Previous	High/Low
Feb	148.50	148.00	150.50 148.00
Mar	146.50	145.50	148.00 145.75
Apr	143.00	143.00	145.00 142.50
May	141.00	140.25	142.50 140.00
Jun	137.50	137.75	140.50 137.50
Jul	137.50	137.25	140.00 139.25

Turnover 8154 (8675) lots of 100 tonnes

US MARKETS

IN THE METALS, gold and silver futures slipped due mostly to a stronger dollar. Platinum prices were firm on rumours of Africas president dying, reports Drexel Burnham Lambert. Copper futures remained lower with higher copper stocks noted. In the softs, trade support combined with speculative selling kept cocoa futures unchanged. Sugar futures slipped in light volume. Coffee prices were again firm in mostly local trading.The grain markets featured massive short-covering in the soy complex. Commercial selling early could not break support levels precipitated the key reversals. Corn and wheat futures followed the beans. The meat markets had negative fundamentals and weak cash prices pressuring the futures. Commission houses and local traders were featured sellers. The energy complex was lower as the upcoming OPEC meeting prompted trade and local liquidation. Cotton futures rallied on commission house buy stops adding to light trade activity.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	403.0	406.0	0	0
Feb	403.2	406.4	407.8	402.8
Mar	405.2	408.8	0	0
Apr	407.8	411.2	412.7	405.0
Jun	412.9	416.4	417.7	412.0
Aug	418.5	421.9	423.0	418.3
Oct	424.2	427.5	428.6	426.1
Dec	429.9	433.1	436.0	432.3
Feb	403.2	406.4	407.8	402.8

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	533.9	533.7	540.0	535.5
Apr	536.9	537.2	544.5	536.0
Jul	534.4	533.2	540.0	535.0
Oct	534.4	532.2	539.5	535.5
Jan	534.4	532.2	539.5	539.5
Apr	537.4	535.2	544.0	544.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	610.4	617.0	0	0
Feb	610.7	617.9	0	0
Mar	615.5	622.5	626.0	613.0
May	625.6	632.9	636.0	623.0
Jul	636.9	643.9	650.0	634.0
Sep	647.5	654.4	660.5	654.0
Dec	663.2	669.9	674.5	670.0
Jan	667.4	674.1	0	0
Mar	678.9	685.6	0	0
May	690.1	696.8	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	157.65	164.60	158.20	151.50
Feb	148.15	149.10	0	0
Mar	144.15	145.10	145.50	141.50
May	134.15	134.70	135.30	132.00
Jul	128.85	129.00	129.30	127.50
Sep	124.60	124.70	125.00	123.00
Dec	120.35	120.50	120.50	119.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	17.98	18.12	18.48	17.31
Jul	16.65	17.00	17.24	16.62
Aug	16.60	16.88	17.20	16.88
Sep	16.50	16.78	17.12	16.50
Oct	16.48	16.71	16.84	16.48
Dec	16.60	16.60	16.71	16.66

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	4970	5052	5100	4960
Apr	4765	4836	4890	4760
May	4610	4670	4715	4610
Jun	4525	4572	4600	4525
Jul	4512	4527	4580	4512
Aug	4580	4572	4625	4580
Sep	4680	4637	4710	4680

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1458	1460	1468	1449
May	1423	1422	1427	1410
Jul	1398	1408	1415	1394
Sep	1383	1400	1400	1397
Dec	1374	1398	1391	1383
Mar	1389	1413	0	0
May	1404	1428	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	137.72	135.87	138.20	136.80
May	134.84	132.70	135.25	133.00
Jul	132.83	130.00	133.00	130.50
Sep	131.08	127.80	131.25	128.30
Dec	130.50	128.82	130.50	128.75
Mar	129.75	128.00	130.00	129.50
May	128.50	128.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.43	9.51	9.59	9.40
May	9.65	9.81	9.70	9.64
Jul	9.52	9.59	9.66	9.52
Oct	9.52	9.57	9.64	9.49
Jan	9.25	9.26	0	0
Mar	9.34	9.35	9.36	9.33
May	9.30	9.33	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.30	58.46	59.33	58.35
May	59.57	58.80	59.57	58.65
Jul	59.65	58.95	59.70	58.80
Oct	58.45	57.20	58.45	57.70
Dec	58.25	57.65	58.25	57.40

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	135.50	136.85	137.50	135.35
May	133.45	134.55	134.70	132.75
Jul	133.60	134.50	134.55	132.80
Sep	133.00	133.50	134.50	133.00
Nov	130.00	131.50	131.50	131.50
Jan	130.00	131.50	130.00	130.00
Mar	130.00	131.50	0	0
May	130.00	131.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jan 25	Jan 24	mnth ago	yr ago
1988.2	1987.0	1970.7	1736.4

DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	140.28	141.05	142.45	131.98
Futures	141.98	142.48	145.81	133.73

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	761/2	749/2	769/0	740/4
May	771/6	760/4	778/0	752/0
Jul	779/4	767/2	786/0	760/4
Aug	775/0	762/0	780/0	755/4
Sep	752/0	741/0	757/0	736/0
Nov	731/6	723/0	738/0	721/0
Jan	741/0	731/0	744/0	729/4
Mar	748/0	739/0	752/0	739/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.51	21.11	21.72	21.04
May	22.01	21.84	22.25	21.56
Jul	22.50	22.16	22.60	22.08
Aug	22.65	22.35	22.90	22.30
Sep	22.95	22.50	23.00	22.49
Oct	23.02	22.62	23.90	22.62
Dec	23.42	22.95	23.80	22.95
Jan	23.50	23.10	23.25	23.75

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	246.7	244.6	251.2	242.0
May	246.2	242.1	248.0	240.3
Jul	243.2	239.3	245.5	236.0
Aug	239.2	235.5	241.5	235.0
Sep	236.0	230.7	236.0	229.5
Oct	227.9	223.0	228.0	223.0
Dec	224.2	219.0	225.0	221.0
Jan	224.5	220.0	225.0	223.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	271/6	270/2	273/2	268/6
May	277/6	276/4	279/4	275/0
Jul	281/4	280/2	283/2	279/2
Sep	273/0	272/0	274/0	271/4
Dec	271/6	271/2	273/2	269/4
Mar	278/0	277/6	278/4	274/4
May	279/6	280/2	280/4	277/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	444/0	439/6	445/0	437/2
May	432/4	434/2	436/4	432/0
Jul	407/6	404/6	410/0	403/0
Sep	413/0	409/2	414/0	408/4
Dec	424/0	419/6	424/0	418/0
Mar	425/0	422/0	425/0	421/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	72.42	72.90	73.12	72.32
Apr	73.45	73.67	73.77	73.30
Jun	72.80	72.95	73.10	72.67
Aug	71.15	71.42	71.60	71.12
Sep	70.95	71.10	0	70.95
Oct	70.55	70.82	70.90	70.45
Dec	71.75	71.90	71.90	71.65
Feb	71.90	72.00	72.00	71.90

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	42.70	43.37	43.40	42.55
Apr	42.15	42.75	42.80	41.85
Jun	46.77	47.42	47.45	46.60
Jul	47.32	48.02	48.17	47.02
Aug	46.80	47.22	47.37	46.57
Oct	43.50	43.90	43.90	43.35
Dec	45.50	45.52	45.55	45.25
Feb	46.40	46.47	46.70	46.35

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.82	39.70	39.87	38.40
Mar	39.45	40.40	40.65	39.15
May	41.17	41.97	42.05	40.85
Jul	42.42	43.27	43.40	42.25
Aug	41.80	42.72	42.85	41.80

LONDON STOCK EXCHANGE

Equities advance ahead of trade data

THE CONFIDENT progress of the *equity market* was *in no* way checked yesterday by any concern ahead of this morning's announcement of the UK trade figures for December.

The UK institutions continued to buy the leading stocks, although perhaps less aggressively than earlier in the week. After boiling over briefly, the market resumed its upward track to close near the best levels of the day.

The market's own internal health was improved by the absence of developments on two situations unsettling equities at the previous close. There was no sign of any of the widely predicted rights issues, nor were there further traumas from the unsuccessful attempt to place 15.8m Taylor Woodrow shares.

Account Dealing Dates		
First Dealings: Jan 16	Jan 30	Feb 13
Option Declarations: Jan 26	Feb 9	Feb 23
Last Dealings: Jan 27	Feb 10	Feb 24
Account Day: Feb 6	Feb 20	Mar 6

*New time dealings may take place from 9.00 am two business days earlier

Turnover remained high, with a Seaq volume figure of 624.5m shares comparing comfortably with last week's average totals, if below Wednesday's post-Crash peak of 924.7m. The blue chip interna*tionals* were *less prominent*, however, and the second half of the session brought a revival of takeover speculation, featuring such old favourites as Enterprise Oil and Cadbury-Schweppes.

A rise of 20.8 took the FT-SE Index to 1959.8 and to its sixth gain out of the past seven trading sessions. With FT-SE 1950 safely out of the way, chart analysts began to look forward *to the 1975 level which is their* next testing point.

Once again there was an uncertain start, with share prices struggling to hold early gains in pre-Seaq trading. But once the rights issue worries receded and some initial tur*moil in Taylor Woodrow stock* died away, prices steadied and then movd ahead as the UK institutions appeared in the market again.

There was support for BAT Industries, *despite doubts* among some analysts regarding the basis for recent takeover speculation. Good trading results – and no rights issue – from Rank Organisation gave a boost to sentiment, and at the close London was helped by a firm opening on the Wall Street market.

Most equity analysts appeared sanguine ahead of today's UK December trade figures. While the median forecast is for a deficit of around £1.5bn on current account, a very slender reduction on the November figure, the market will be untroubled by any deficit figure below £2bn, according to Mr John Reynolds, *equity strategist* at Prudential-Bache (Equities); his forecast is for a £1.6bn deficit.

However, the markets will be watching closely for the reaction of sterling when the figures are announced, but Mr Peter Spencer of Shearson Lehman Hutton commented: "With the Lawson squeeze beginning to work, any setback on trade or any other data should be regarded as a buying opportunity."

FINANCIAL TIMES STOCK INDICES

	Jan. 26	Jan. 25	Jan. 24	Jan. 23	Jan. 20	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	88.39	88.53	88.37	88.35	88.15	89.72	91.43 (18/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.25	97.03	96.91	97.10	96.92	96.38	98.67 (25/5/88)	94.14 (8/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1601.3	1580.8	1580.7	1589.5	1563.3	1430.0	1601.3 (26/1/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	173.2	171.0	170.6	169.0	164.3	267.0	312.6 (7/1/88)	160.7 (9/1/89)	734.7 (15/2/83)	43.5 (26/10/71)

	Jan. 26	Jan. 25	Jan. 24	Jan. 23	Jan. 20	Year Ago
Ord. Dl. Yield	4.60	4.64	4.64	4.67	4.70	4.37
Earning Yld %(full)	11.50	11.65	11.66	11.75	11.82	11.04
P/E Ratio(Net)(☆)	10.55	10.37	10.36	10.28	10.23	11.07
SEAQ Bargains(5pm)	33,773	39,241	31,642	34,484	33,326	26,073
Equity Turnover(£m)†	-	1946.92	1327.65	1312.74	1632.84	1428.57
Equity Bargains†	-	41,020	36,022	36,425	36,882	25,461
Shares Traded (ml)†	-	718.9	554.7	548.5	718.0	585.3

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1583.1	1587.7	1596.3	1597.2	1601.4	1597.4	1595.2	1598.3

DAY'S HIGH 1602.1 DAY'S LOW 1583.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 10.49 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Jan. 25	Jan. 24
Gilt Edged Bargains	127.9	108.3
Equity Bargains	285.8	233.4
Equity Value	3939.3	2663.5
5-Day average		
Gilt Edged Bargains	119.9	113.6
Equity Bargains	242.3	227.5
Equity Value	3213.9	2998.5

● London Report and latest Share Index: Tel. 0898 123001

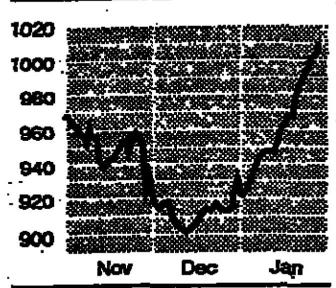
Disposals to boost G Met

Activity in the traded options market early on – a UK broker was said to have exercised an option to buy 1m shares – sent shares in food, drinks and hotels group Grand Metropolitan firmly higher. At one stage the price touched 509p bid, before profit-taking saw the shares ease back to a close of 494p, up 7 on the day on turnover of 5.3m shares.

Grand Met have returned strongly to favour since the New Year, buoyed by several "buy" recommendations, including from BZW and Kitcat Aitken. The news that there has been no shortage of potential buyers for the company's casino operations, and of the approaching sale of two of the US restaurant chains acquired during the $5.7bn takeover of Pillsbury, have given an extra lift to the share price.

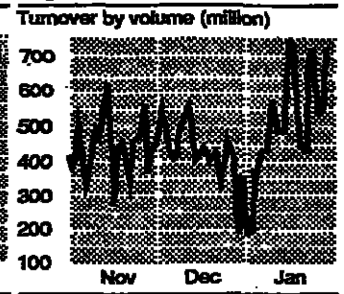
Mr Martin Hawkins of Kitcat Aitken believes Grand Met will use the money from the casino and restaurant disposals to pare down its borrowings rather than expand its own businesses. The first priority *remains to fully digest Pillsbury*, in particular the troublesome Burger King chain, said Hawkins. "If Grand Met can stabilise Burger King and squeeze margins out of Pillsbury, then they will make a tremendous amount of money."

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



BAT active

A feature of early dealings was BAT Industries, which swept higher as recent bid speculation took a new turn. Suggestions that the group's management, perhaps alerted by an approach from a predator, might attempt a buy-out from within helped send the shares ahead in strong turnover. Despite some doubts among analysts over this fresh twist in the story, BAT shares closed 21 higher at 519p with turnover of 9.1m shares boosted by UK institutional demand.

Bid hopes, which mention either Hanson or Kohlberg, Kravis, Roberts, the US buyout specialist, as possible predators, face the problem of Farmers Group, BAT's US insurance acquisition. This is described by analysts as "a poison pill in itself" because of the minefield of US regulations involved. Some believe that a management buyout might overcome such problems. However, Mr Paul Burke, tobacco specialist at Kleinwort Benson, doubts all bid tales. BAT yes*terday announced a routine* increase of £500m in its commercial paper programme.

New Cadbury fever

After several weeks in the doldrums, Cadbury Schweppes bounced back as the shares soared 23 to 371p on turnover just short of 7m shares. The latest bout of bid fever was sparked off by a number of conflicting stories about major US shareholder, General Cinema, which emerged from both sides of the Atlantic.

The shares drew initial strength from a story that General Cinema was about to sell its 18.4 per cent stake, possibly to US arbitrageur Mr Asher Edelman. Further speculative buying was triggered by reports from the US that securities house Salomon Brothers had said in a circular that General Cinema was more likely to increase than reduce its stake in Cadbury. Adding to the confusion were unconfirmed reports that the board of General Cinema was in London.

The result was massive demand for Cadbury stock, heavy trading in the options, and strong buying of the ADRs in the US. American buyers were to the fore at every stage, said dealers. As one excited follower of the stock said: "Everyone believes that a bid is in the offing: what we don't know is when it will come."

Woodrow decline

Taylor Woodrow, given a mauling on Wednesday on news that Hoare Govett, the securities house, and Hambros, the merchant bank, had bought P & O's near 10 per cent stake and were attempting to place the shares, remained in the firing line yesterday.

Taylor shares dropped to 555p offered at the opening, with sentiment badly affected by the previous day's events. They then rallied well, touching 580p before ending the day a net 8 lower at 575p with turnover reaching 2.6m after Taylor Woodrow issued a statement welcoming Hambros and Hoare as new shareholders.

Taylor said it had had a close working relationship with the two for many years and "considers them to be supportive of the Taylor board's policies and principles."

P & O shares recovered some of the ground lost on Wednesday, settling a net 12 higher at 609p; turnover here was 2.3m.

Dixons were a good market among uninspired stores. Dealers reported interest in the stock following the company's US visit earlier this week. As talk of a possible consortium bid approach resurfaced, the stock gained 8½ to 152p on turnover of 7.6m shares.

Woolworth fell back from Wednesday's highs, closing 4 easier at 270p with the market looking for a bid for furniture group Magnet.

The electronics arena was the scene of another wave of frantic activity as the Government issued four licences for the new cordless telephone systems (CT2), commonly known as "telepoint".

Taking a cautious line on Lord Young's statement on two new licences for the 1990's to compete with existing cellular systems, Mr Chris Tucker, electronics analyst at Kleinwort Benson said "the additional competition in the 1990's calls *into question some of the more* optimistic valuations of cellular radio."

Ferranti, which developed the CT2 technology, was again the focus of market attention, and was awarded one of the licenses. A poor market on Wednesday amid fears of a rights issue, the shares rallied 4 to 106p on turnover of 3.7m, but stories persisted that the company may well decide to raise money via a rights issue when it brings out its figures in July.

Other companies granted licences in various consortiums, included Cable & Wireless (up 10 at 409p), via its Mercury subsidiary, British Telecom (firmer at 270p) and STC (3 stronger at 303p).

Racal Telecom, failed to win one of the licences and subsequently came under pressure to close 5½ down at 242p on 6.6m. Parent Racal Electronics, initially dipped to 315p but later picked up to close a fraction harder at 321p; turnover was 15m.

Vague speculation of a possible link up in consumer electronics with GEC saw Amstrad race up to 177p before a close of 174p for a net gain of 9; Amstrad later denied the stories. GEC rose 6 to 219p on turnover of 5.4m.

Excitement returned to the Foods sector amid forecasts of record profits this year at Ranks Hovis McDougall's agm (the shares were up 7 at 391p), a 4-for-1 share split in Tate & Lyle (closed at 237P), and assorted bid speculation in Cadbury, Hillsdown (up 8 at 282p), Unigate (11 better at 360p), United Biscuits (5 firmer at 312p). Gateway saw its shares climb sharply in late trading to 179p, up 9, as nearly 8m shares changed hands on market talk that an opening bid will be launched today at 200p a share. Sainsbury added 3 at 222p *despite a sizeable* downgrade from BZW.

Vaux Group were the pick of the Brewery sector, advancing 14 to 771p on speculation that hotels group Queens Moat (up 4 at 112p) had added to its 7.6 per cent stake. However, Queens Moat later confirmed at a lunch with a leading securities firm in London that it had no plans for its Vaux stake.

Magnet, which on Wednesday revealed it had received an management buy-out (MBO) approach from a group of directors, led by chairman and chief executive Mr Tom Duxbury, continued to forge ahead with the shares adding a further 14 at 276p. Turnover in the stock remained at a high level, totalling 8.2m shares.

Dealers said speculators were moving in on the shares on expectations that any management buy-out will almost certainly trigger a bid battle for the company with the 300p a share level regarded as the starting point. The County NatWest building research team says: "MBO or no MBO, the 'for sale' sign has gone up outside Magnet's door and the stock is now in play".

Preliminary results from leisure group Rank Organisation confounded Wednesday's pessimistic share price performance. Rank stock plummeted late on Wednesday on the accompaniment of market speculation of a possible £200m-plus rights issue to fund US acquisitions.

But there was no cash-raising operation yesterday, only full-year pre-tax profits of £256m, 22 per cent up on last year's £208.3m, and well ahead of the most optimistic forecasts which had run to £250m at best.

Rank shares raced up 30 to 783p, more than recouping Wednesday's fall, with turnover recorded at 2.8m. Mr Bruce Jones, analyst at Kitcat & Aitken, was bullish about Rank in the wake of the figures; "we expect a sixth year of above average growth; a multiple of under nine and yield of over 5 distinctly underrates this well managed company. The shares look at the very least 10 per cent too cheap." The Kitcat analyst is going for pre-tax profits of £312m next year.

The energy sector received a triple boost, with London and New York markets very strong and crude oil prices firmer again.

Shell Transport, however, lagged behind the rest of the sector after Shell Oil, its US subsidiary, released slightly disappointing fourth quarter results. The figures from Shell Oil were affected by a $120m provision for environmental clean-up costs in the US. But the underlying figure for net income, $332m, was in line with forecasts, dealers said. Shell Transport shares slipped back a few pence to 361½p with turnover sharply higher and finally 7.1m.

BZW reiterated its stance that Shell Transport "are high enough" and continue to recommend investors "to switch into BP which represent better value". Preliminary results from Shell Transport are expected on March 2.

Enterprise Oil were among the day's outstanding performers and jumped 25½ to 550p with the shares apparently still being driven by the BZW "buy" recommendation. Lasmo rallied well, closing 8 higher at 483p.

Record profits, together with a higher total payout and share bonus issue, inspired strong demand for Lonrho, which gained 10 to 358p on turnover of 6m shares.

Reports that Toyota plans a car assembly plant in Europe brought a strong rise in Inchcape, which has the sales franchise in the UK and Greece; at 237p, Inchcape were 11 up with 3.2m shares traded.

Reuters held steady at 612p in more moderate trading than recorded in recent sessions. Citicorp Scrimgeour marked the shares a sell, warning that final results, due on February 14, will be affected by poor demand for electronic terminals in the US and by increasing numbers of terminal returns.

Greycoat were the feature of a firmer Property sector, rising 25 to 467p after lunching with broking house James Capel. The company used the occasion to confirm that it will seek pre-lets of its three major London developments.

Turnover in traded options reached 52,548 contracts, made up of 42,829 calls and 9,719 puts, as dealers again through turnover roughly double the mid-summer average dull. The most actively traded stocks were GEC, on 5,556 contracts almost all call, with the April 200s most prominent, Racal, which found 3,601 calls and 835 puts, and Cadbury, which came with a late run to claim 2,405 contracts, made up of 1,852 calls and 553 puts.

■ Other market statistics, *including FT-Actuaries* Share Index and London Traded Options, Page 25

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	5,900	145	+½	Commercial Union	1,500	374½	+1	Land Securities	643	504	+7	[illegible]	390	477	+3
Allied-Lyons	1,800	471		Cons. Gold Fields	218	1291	-3	Laporte	195	405	+3	Royal Bk. Scotland	242	382	+3
Amstrad	7,800	174	+9	Coalcon	1,800	287	+5	Legal & General	1,600	323	+4	Royal Insurance	514	431	+5
Argyll Group	1,600	187	+4	Courtaulds	679	289	+½	Lloyds Bank	1,300	300	+5	STC	2,900	302	+7
Ass. Brit. Foods	762	329	+4½	Dalgety	223	334	+5	LASMO	1,300	483	+8	Saatchi & Saatchi	1,200	363	-5
BAA	5,100	285	+5	Dixons	7,600	152	+8½	Lucas	6,675	[illegible]	+11	Sainsbury	2,100	222	+3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots	3,900	243	-2	GUS A	636	1021	+13	Pilkington	2,100	233		Tate & Lyle	2,000	237	
British Airways	1,400	182	+2	GRE	2,300	199	+1	Plessey	1,700	240	+3	Tesco	3,900	152	+2
Brit. Aerospace	947	498	+7	GKN	516	331	+½	Polly Peck	516	293	+2	THORN EMI	1,500	688	+10
Brit. & Comm.	2,200	236	+1	Guinness	3,200	365	-3	Prudential	1,200	184½	+½	Trafalgar House	2,200	326	+11
British Gas	9,600	177½		Hammerson "A"	589	801	+4	Racal	14,900	321	+2	Trusthouse Forte	6,900	248	+1
British Land	950	555	+17	Hanson	5,400	168	+1	Rank Org.	2,745	783	+30	Ultramar	2,000	306	+1
BP	6,300	260½	+2½	Harrisons & Cros.	315	686	-1	RMC	397	576	-1	Unilever	2,000	521	+7
British Steel	26,700	70¼	+1	Hawker Siddeley	639	601	+3½	RTZ	1,600	391	+7	United Biscuits	1,600	311	+4
British Telecom	2,100	271	+1	Hillsdown Hldgs.	4,800	282	+8	Reckitt & Colman	193	1000		Utd. Newspapers	358	400	+1
Burmah Oil	179	523	+3	IMI	438	211	+2	Redland	716	461		Wellcome	1,400	458	+4
Burton	4,000	190	+1	Imp. Chem.	1,400	1186	+10	Reed International	1,700	397	+8	Whitbread "A"	400	329	+1
Cable & Wireless	2,553	409	+10	Inchcape	3,300	237	+11	Reuters "B"	626	612	-1	Williams Hldgs.	2,000	346	-½
Cadbury Schweppes	6,900	371	+23	Jaguar	3,000	290	+12	RTZ	1,100	403		Wimpey	735	280½	-½
Coats Viyella	2,300	154	-1	Ladbroke	1,000	488	+1	Rolls Royce	4,700	154	+2½	Woolworth Hldgs.	2,800	270	-4

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (128). [illegible] (3) BICC, Dowding & Mills, [illegible], ENGINEERING (6) Atlas Conv. Equ., Castings, Howden Grp., Ransomes Sims, Rolls Royce, SKF, FOODS (2) Booker, Tate & Lyle 7.25pc Cv. Pf., HOTELS (1) Jurys Hotel, INDUSTRIALS (17) Apollo Watch Prods., BTR, Cosalt, Elders IXL, Johnson Cleaners, Kershaw (A.), Macfarlane, Nestor-BNA, Nu-Swift, Polymark, Rank, Rockwood 8½pc Cv. Pf., Smiths Inds., Stha. Business, Unilever, WSP, Willis (J.), INSURANCE (3) Amer. Int'l. Grp., Sedgwick, Trade Indemnity, LEISURE (6) Anglia TV, Central TV, [illegible] Anglo Amer. Invs., Gencor, Vaal Reefs SA, Vogels, Young Grp.

NEW LOWS (18). STORES (1) Vivat, ELECTRICALS (2) Optim. Personal Comps., INDUSTRIALS (5) Bardon Grp., DSC, Gt. Southern, Green (E.) & Part., Hestair, Medical Research, LEISURE (1) SCE Hldgs., MOTORS (1) March Grp., PROPERTY (1) Key City Prop., OILS (2) Claremont (UK), Southwest Res., MINES (2) Paragon Res., Highwood Res., THIRD MARKET (1) Caldwell Invs., Pennant.

APPOINTMENTS

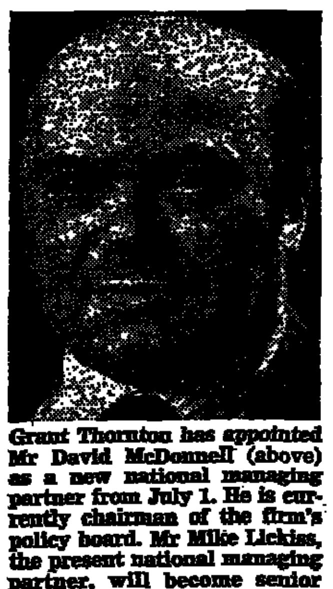
New chief for Shell company

■ Mr Evert Henkes has been made a director of SHELL U.K. and managing director of SHELL CHEMICALS U.K. He succeeds Mr John Collins who *is moving to the London office* of the Shell International Petroleum Company.

■ Mr Gavin Oldham has been elected chairman of BARCLAYSHARE, and business development and planning director of BARCLAYS RETAIL INVESTMENT MANAGEMENT. Previously chief executive of Barclayshare, Mr Oldham's new role will include closer co-ordination of the investment services provided by the bank.

■ ICI has appointed Mr Fred Gray as a corporate treasurer. He was previously a controller-corporate operations, finance department.

■ Sir Alex Alexander, who retires as chairman of *J. Lyons* & Co on March 5, is to become a full-time managing director in the London office of SHEARSON LEHMAN HUTTON. The appointment reflects *Shearson's interest* in developing its European corporate finance business. Mr R.G. Martin, vice chairman and chief executive of *Allied-Lyons*, will become chairman of J. Lyons & Co on the same date.



Grant Thornton has *appointed* Mr David McDonnell (above) as a new national managing partner from July 1. He is currently chairman of the firm's policy board. Mr Mike Lickiss, the present national managing partner, will become senior partner for Grant Thornton in the UK.

■ Mr Andrew Sayer has been appointed an associate director of DEN NORSKE CREDITBANK. He heads the bank's UK banking department.

■ BROWN SHIPLEY has formed a stockbroking subsidiary, Brown Shipley Stockbroking (C.I.) in Jersey. Mr Neil Dangerfield and Mr Haydn Taylor *are joining* the new company from Hoare Govett (Channel Islands).

■ Mr George Simpson, formerly chief executive of Layland DAF and a member of the board of management of DAF BV, and who is now managing director of Rover Group, has been appointed a member of DAF's supervisory board (equivalent to non-executive directors in UK).

■ Dr Richard Stabbins has been appointed a director of GOAL PETROLEUM. He was an associate director responsible for exploration. Mr Thomas F. Cox, senior petroleum engineer, becomes an associate director.

■ Mr Mark Forrest has been appointed transport director *on the board of PANDORO.* He was northern route general manager.

■ FERGABROOK GROUP has appointed Mr Ian McMurtrie as chief executive of Wembley Sportsmaster. He was managing director of Mattel U.K.

■ TRANWOOD has appointed Mr John Gilmore as finance director. He is finance director of Tranwood Earl & Co., corporate finance subsidiary.

■ Mr N.S. Farr has been appointed chief executive of the BABCOCK & BROWN GROUP's international money market interests.

■ Mr A.N. Johannsen, director and general manager of JAMES BURN INTERNATIONAL (JBI), has been appointed vice president and general manager. JBI is a division of Standex International Corpoøration.

■ SINTROM, the computer peripherals, networks and services group, has appointed Mr Peter Gardner as managing director of its network products subsidiary, LRT.

■ OCS GROUP, the cleaning and property maintenance group, has appointed the following to the main board: Mr Peter Goodliffe and Mr Christopher Cracknell, both directors of Office Cleaning Services, and Mr Stephen Wand, a director of New Century Cleaning Co.

■ Mr Hugh Perrott, corporate development manager responsible for planning and acquisitions, has been promoted to finance director of WHATMAN REEVE ANGEL. Mr Peter Akers, company secretary and treasurer, has also joined the board.

■ Mr Nigel Constantine has become managing director of LONDON & CLEVELAND ESTATES, the commercial development division of Constantine Holdings. Mr Peter Cope, managing director of the property investment division, remains on the board of London & Cleveland Estates.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administration and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

Wardley Unit Tst Mngrs Ltd (0900)H
99, Bishopsgate, London, EC2P 2LA. 01-374 0062

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♦	5¼	58.31	58.31	62.38	+0.25	1.8
Intl Growth	5¼	69.80	69.80	74.65	-0.80	0.4
Income ♦	5¼	120.2	122.2	130.8	+0.18	5.5
Japan Growth	5¼	201.8	204.6	218.9	-1.50	0.1
Pacific Perf	5¼	125.9	125.9	134.6	-0.30	0.5
Small Co's ♦	5¼	143.3	143.3	153.2	+0.30	1.6
Technology	5¼	29.93	29.93	31.98	+0.5	0.1
Australia	5¼	62.54	62.54	66.88	+0.14	2.7
UK Trust ♦	5¼	169.1	169.1	180.8	+0.20	2.8
European Growth ♦	5¼	53.13	53.61	57.34	-0.31	0.1
Hong Kong ♦	5¼	33.23	33.23	35.54	+0.27	1.6
Intl Income	5¼	19.89	19.89	21.27	-0.08	8.0
S'tore & Mlyn Gth	5¼	24.08	24.08	25.75	+0.23	0.3
British Winners ♦	5¼	26.24	26.24	28.06	+0.18	2.5

Waverley Unit Tst Mngmt Ltd (1800)F
13 Charlotte Sq, Edinburgh 031-225 1551

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Australasian Gold	5	17.24	17.24	18.34	-0.1	0.00
Pacific Basin	5	24.92	25.20	26.80	+0.04	0.60
Can Balanced Gwth ♦	5	44.98	44.98	47.85	+0.07	0.10
Cimnic Mine ♦	4	0.9508	0.9518	0.9914	+0.0008	8.88
Penny Share	5¼	27.05	27.85	28.77	-0.11	0.50

Wellington Fund Mngrs Ltd (1200)F
2, London Bridge, SE1 01-407 4404

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wellington Recovery	5¼	116.1	117.5xd	125.0	+0.4	4.65
Wellington Growth	5¼	180.4	182.1	193.7	-0.6	1.26

Wessex Asset Management (1330)F
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wessex UK Gwth	4½	99.63	103.72	107.72	+0.21	–

Whittingdale Unit Tst Mngmt Ltd
2 Honey Lane, London EC2V 8BT 01-606 3132

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Challenger & F	1¼	53.86	53.86	54.95	-0.06	0.00
Short Dat Gilt ♦ F	1¼	80.57	80.57	81.59	+0.02	5.77
U.S. Govmt Bond ♦ F	0	.5474	.5474	.5479		0.00

Wilfibro Financial Services Ltd (0905)F
PO Box 515 Austin Friars, London EC2 01-588 7511

[illegible]

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Brit Blue Chip Fd Acc(z)	120.5	126.8	-0.3	–
Equity Fd Acc(z)	953.7	1003.8	-2.4	–
European Fd Acc(z)	206.9	217.8	+0.3	–
Intl Fxd Int Fd Acc(z)	199.5	209.8	-0.2	–
Fixed Int Acc(z)	339.9	357.7		–
Gtd Money Fd Acc(z)	227.9	239.8	+0.1	–
High Income Fd Acc(z)	107.5	113.1	-0.3	–
Intl Man Fd Acc(z)	372.6	392.2	-0.2	–
Japan Fd(z)	297.8	313.5	-0.9	–
UK Small Co's Fd Acc(z)	105.5	111.0		–
Global Metro	97.6	102.7	-0.1	–
UK Metro	101.1	106.3	-0.2	–
Nth American Fd Acc(z)	167.6	176.4		–
Pac Basin Fd Acc(z)	134.7	141.7	+0.2	–
Prop Fd Acc(z)	312.2	328.7	+0.5	–
Multiple Inv Acc(z)	650.0	684.2	-0.9	–
Pension Funds				
Brit Blue Chip Acc(z)	129.2	135.9	-0.5	–
Eq Pen Fd Acc(z)	1815.4	1910.9	-6.0	–
Euro Fd Acc(z)	257.5	271.0	+0.4	–
Fixed Int. Acc (z)	686.3	722.4	+0.1	–
Gt Money Pn Acc(z)	403.2	424.3	+0.1	–
High Interest	135.0	142.0		–
High Income Fd Acc(z)	110.8	116.6	-0.3	–
Intl Man Fd(z)	549.9	578.8	-0.2	–
Jap Pen Fd Acc(z)	423.9	446.2	-1.9	–
UK Small Co's Fd Acc(z)	108.5	114.2		–
Global Metro	99.2	104.3	-0.2	–
UK Metro	104.2	109.6	-0.3	–
N Am Pn Fd Acc(z)	194.6	204.8		–
Pac Basin Fd Acc(z)	152.0	160.0	+0.4	–
Property(z)	528.4	553.0	+1.3	–
Mltple Inv Pens Acc(z)	1280.3	1347.7	-2.3	–
Broker Funds				
Prof. Pen. Fd	90.1	94.8	-0.2	–
YRA Strategy	113.0	118.9	-0.1	–
Langham Dollar (SE)	141.7	149.1	-0.1	–

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Norwich Union Life Insurance Soc.
PO Box 149, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Pensions				
With Profits Fd	110.86	116.69	+0.04	–
Managed Fd	123.57	130.08	+0.20	–
UK Equity Fd	126.75	133.42	+0.24	–
International Fd	127.56	134.27	+0.19	–
European Fd	119.95	126.27	+0.63	–
North American Fd	117.04	123.20	+1.58	–
Pacific Fd	125.11	131.70	–0.17	–
Property Fd	126.01	132.64	+0.02	–
Fixed Int Fd	103.69	109.15	+0.24	–
Intl Bond Fd	106.94	112.57	–0.14	–
Bldg Soc Dep Fd	105.39	110.94	+0.04	–
Pensionmaster & Unit-Linked Plus				
Fixed Interest Fund	291.5	306.8	+3.7	–
Index-Linked Sec Fund	155.7	163.9	+0.4	–
Ordinary Share Fund	495.1	521.1	+16.0	–
International Fund	136.6	143.8	+0.5	–
Property Fund	213.9	225.1	+0.3	–
Deposit Fund	188.8	198.7	+0.4	–
Mixed Fund	338.1	355.9	+6.6	–
Norwich Units January 15		820.0	——	–

*Prices as at January 24

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Dist. (Gross)	180.3	189.8	–	–
Prop. Acc. (Gross)	303.7	319.7	–	–
Equity (Gross)	691.2	727.6	–4.1	–
Managed (Gross)	502.6	529.1	–2.4	–
Prop. Acc. (Net)	140.5	147.9	–	–
Equity (Net)	161.5	170.0	–0.6	–
Managed (Net)	153.8	161.9	–0.6	–
Internat'nal (net)	137.4	144.6	–0.1	–
Gilt & Fxd Interest	103.6	109.1	–0.3	–
Money Fund	103.4	108.9	+0.1	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	481.1	506.5	–4.4	–
Ret Man (Series 2)	163.2	171.8	–1.5	–
Ret Man (Series 3)	107.6	107.6	–1.0	–
Ret Cash	129.8	136.6	–	–
Ret Cash (Series 3)	106.6	106.4	–	–

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

	Bid Price	Offer Price	+ or -	Yield Gross
Life Assurance Funds				
Wealth Assd	407.1	428.6	——	–
Eb'r Ph Eq	348.7	370.6	——	–
Pension Plan Funds				
Phoenix				
UK Equity Acc	180.9	190.4	——	–
International Acc	148.6	156.4	+0.1	–
Property Acc	158.8	167.1	——	–
Fixed Interest Acc	162.8	171.3	+0.1	–
Money Acc	149.2	157.0	+0.1	–
Bldg. Soc. Link Acc	146.4	154.1	——	–
Special Mngd. Acc. Q	162.1	170.6	——	–
Phoenix/Framlington				
Intnl. Growth Acc	89.30	94.00	+0.30	–
Am. Smllr. Cos. Acc	88.40	93.00	+0.10	–
Capital Tst. Acc	176.8	186.1	+0.2	–
Japan & Gen Acc	216.8	228.2	–0.1	–
American Turn. Acc	99.70	104.9	+0.1	–
Recovery Tst. Acc	192.2	202.3	+0.7	–
Special Mngd Acc	158.7	167.0	+0.1	–
Phoenix/GT				
International Acc	143.1	150.6	——	–
US & General Acc	88.20	92.80	+0.60	–
Amer Spec Sits Acc	66.30	69.70	+0.50	–
Japan & General Acc	206.2	217.0	–0.4	–
Far East & Gen. Acc	157.3	165.5	–0.3	–
UK Capital Acc	199.6	210.1	–0.2	–
European Acc	175.1	184.3	–0.4	–
Special Mngd. Acc	141.1	148.5	–0.1	–

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N, Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	269.9	284.2	——	–
Man Pens Inc & Cap Fds	345.7	363.9	——	–
Money Fund	116.6	122.8	——	–
Pens Mngd Fd (Init)	92.8	97.7	——	–
Pens Mngd Fd (Acc)	110.0	115.8	——	–
Pens FT30 Fd (Init)	133.4	140.5	——	–
Pens FT30 Fd (Acc)	158.1	166.5	——	–
Pens O'seas MgFd(Init)	65.6	69.1	——	–
Pens O'seas MgFd(Acc)	77.8	81.9	——	–
Pens Fxd Int Fd (Init)	105.3	110.9	——	–
Pens Fxd Int. Fd (Acc)	124.8	131.4	——	–
Pens Deposit Fd (Init)	102.9	108.4	——	–
Pens Deposit Fd (Acc)	122.0	128.5	——	–

Premium Life Assurance Co Ltd
37–39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	107.0	113.0	——	–
Building Soc. Fd	167.0	176.0	——	–
Balanced	260.0	274.0	+1.0	–
Deposit	166.0	175.0	——	–
European	147.0	155.0	——	–
GT Managed	167.0	176.0	——	–
Gartmore Mngd	108.0	114.0	——	–
German	102.0	108.0	——	–
Gilt	170.0	179.0	——	–
Global	47.0	50.0	——	–
High Inc	106.0	112.0	——	–
International Equity	170.0	179.0	+1.0	–
Japan	231.0	244.0	+1.0	–
Managed	59.0	63.0	——	–
Property	272.0	287.0	——	–
R. W. Imperial Gold	122.0	129.0	——	–
UK Equity	339.0	357.0	+2.0	–

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Unit Fund	950.7	998.2	+0.8	–
Equity Fund	213.7	224.4	–0.3	–
International Fd	142.2	149.3	+1.7	–
Fixed Interest Fd	154.9	162.6	+0.2	–
Property Fund	209.6	220.1	——	–
Index-Linked Fund	133.7	140.4	+0.5	–
Deposit Fund	132.9	139.5	——	–
Pens. Mixed (Ord) Fd	221.8	232.9	——	–
Gold Pensions				
Discretionary Fund		107.7	——	–
Equity Fund		105.2	–0.1	–
Fixed Interest Fund		106.4	+1.1	–
International Fund		106.4	+1.1	–
Property Fund		126.8	——	–
Index-Linked Fund		109.5	+0.3	–
Deposit Fund		105.5	+0.1	–
S & F Consolidation		104.5	+0.2	–
S & F Balanced		106.9	+0.1	–
S & F Maximum Growth		97.6	–0.7	–

Provident Mutual Life Assc. Assn.
Walsworth Rd, Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	304.2	320.2	(z)	–
Managed Init	247.8	260.8	(z)	–
Equity Ord	423.3	445.6	(z)	–
Equity Init	344.8	362.9	(z)	–
Index Linked Gilt Ord	132.8	139.8	(z)	–
Index Linked Gilt Init	113.0	118.9	(z)	–
Overseas Equity Ord	275.0	289.5	(z)	–
Overseas Equity Init	224.0	235.8	(z)	–
Property Ord	189.9	199.9	(z)	–
Property Init	154.7	162.8	(z)	–
Fixed Interest Ord	177.0	186.3	(z)	–
Fixed Interest Init	144.2	151.8	(z)	–
Deposit Ord	139.5	146.8	(z)	–
Deposit Init	113.7	119.7	(z)	–
Pension Funds				
Managed Ord	370.4	389.9	(z)	–
Managed Init	301.7	317.6	(z)	–
Equity Ord	535.0	563.2	(z)	–
Equity Init	435.8	458.7	(z)	–
Pen Ind Lkd Gilt Ord	143.8	151.4	(z)	–
Pen Ind Lkd Gilt Init	122.3	128.7	(z)	–
Overseas Equity Ord	314.7	331.3	(z)	–
Overseas Equity Init	256.4	269.9	(z)	–
Property Ord	226.6	238.5	(z)	–
Property Init	184.6	194.3	(z)	–
Fixed Interest Ord	203.4	214.1	(z)	–
Fixed Interest Init	165.7	174.4	(z)	–
Deposit Ord	177.1	186.4	(z)	–
Deposit Init	144.3	151.9	(z)	–

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Prulink				
Managed Jan 25	220.2	229.4	——	–

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Holborn Series I Life Funds				
Managed	473.9	498.9	+3.8	–
Equity	950.7	1000.8	+9.1	–
Fixed Interest	380.9	401.0	+0.5	–
Property	366.0	385.3	——	–
Cash	251.9	265.2	——	–
International	332.9	350.5	+3.1	–
Holborn Series II Life Funds				
Managed	465.2	489.7	+3.8	–
Equity	930.8	979.8	+8.9	–
International	326.8	344.1	+5.1	–

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY AUTHORISED

JERSEY AUTHORISED

IoM AUTHORISED

BERMUDA AUTHORISED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102	99	Treas 11½pc 1989	99	......	-	-
101	98	Treas 9½pc Cnv 1989	99	......	9.56	12.27
98	95	Treas 3pc 1989	98	......	3.06	9.39
102	98	Treas 10½pc 1989	99	......	10.58	12.37
102	98	Exch 10pc 1989	98	......	10.11	12.09
103	98	Exch 11pc 1989	99		11.08	12.09
97	94	Treas 5pc 1986-89	96		5.19	10.37
104	98	Exch 10¼pcCv '89	99	......	10.31	11.05
107	101	Treas 13pc 1990‡‡	101	......	12.80	11.27
104	99	Exch 11pc 1990‡‡	99	......	11.02	11.21
107	100	Exch 12½pc 1990	101	......	12.34	11.29
93	90	Treas 3pc 1990	92		3.25	9.60
99	95	Treas 8¼pc 1987-90‡‡	96		8.55	11.10
102	95	Treas 8pc Cv 1990 ‡‡	97		8.19	9.77
103	97	Treas 10pcCv 1990	98		10.15	10.95
91	87	Exch 2½pc 1990	89		2.81	9.16
107	100	Treas 11¾pc 1991	101		11.57	10.85
95	89	Funding 5¾pc '87-91‡‡	91	......	6.30	10.32
90	86	Treas 3pc 1991	87		3.43	9.21
105	97	Treas 10pc Cv '91 ‡‡	99	......	10.05	10.25
107	98	Exch 11pc 1991	100		10.90	10.61
98	91	Treas 8pc 1991	93	......	8.53	10.56
113	103	Treas 12¾pc 1992‡‡	106	......	12.01	10.31
104	96	Treas 10pc 1992	99	......	10.09	10.36
98	91	Treas 8pc 1992 ‡‡	93		8.55	10.39
106	98	Treas 10½pc Cv 1992‡‡	100		10.46	10.37
86	81	Treas 3pc 1992	84		3.58	8.65
112	102	Exch 12¼pc '92	105		11.63	10.43
117	106	Exch 13½pc 1992	109		12.35	10.37
97	91	Treas 8¼pc 1993	93		8.80	10.16
105	96	Treas 10pc 1993‡‡	99		10.03	10.08
115	105	Treas 12½pc 1993‡‡	108		11.56	10.18
93	85	Funding 6pc 1993‡‡	86		6.98	9.68
121	110	Treas 13¾pc 1993‡‡	113		12.15	10.21
		Five to Fifteen Years				
101	90	Treas 8½pc 1994	93		9.07	10.13
94	90	Treas 8½pc 1994 A	92	......	9.07	10.13
125	113	Treas 14½pc 1994‡‡	117		12.38	10.12
120	109	Exch 13½pc 1994	112		11.97	10.27
105	96	Treas 10pc Ln 1994‡‡	99		10.01	10.02
116	106	Exch 12½pc 1994	109		11.43	10.25
101	92	Treas 9pc 1994‡‡	95		9.39	9.95
114	104	Treas 12pc 1995	107		11.13	10.21
83	77	Exch 3pc Gas 90-95	77	......	3.76	7.03
106	97	Exch 10¼pc 1995	100		10.17	10.08
120	109	Treas 12¾pc 1995‡‡	112		11.30	10.08
126	114	Treas 14pc '96	118		11.81	10.22
101	92	Treas 9pc 1992-96‡‡	96		9.35	9.73
133	122	Treas 15¼pc 1996‡‡	126		12.11	10.12
123	112	Exch 13¼pc 1996‡‡	116		11.40	10.04
105	96	Conversion 10pc 1996	100		9.97	9.93
124	113	Treas 13¼pc 1997‡‡	117		11.30	10.04
108	99	Exch 10½pc 1997	103		10.19	9.95
98	90	Treas 8¾pc 1997‡‡	94		9.28	9.73
134	123	Exch 15pc 1997	127		11.77	10.17
104	95	Exch 9¾pc 1998	99		9.81	9.85
87	80	Treas 6¾pc 1995-98‡‡	83		8.07	9.42
140	129	Treas 15½pc '98‡‡	133		11.65	10.07
118	108	Exch 12pc 1998	112		10.66	9.95
103	95	Treas 9½pc 1999‡‡	99		9.55	9.57
120	110	Exch 12¼pc 1999	114		10.69	9.92
109	100	Treas 10½pc 1999	104		10.06	9.81
107	99	Conversion 10¼pc 1999	102		9.97	9.81
100	86	Treas 8½pc Ln 2000‡‡	92		9.16	9.57
99	92	Conversion 9pc 2000‡‡	96		9.38	9.59
126	116	Treas 13pc 2000	120		10.78	9.95
106	98	Treas 10pc 2001	102		9.78	9.68
129	119	Treas 14pc '98-01	123		11.38	10.12
104	97	Conversion 9¾pc 2001	100		9.68	9.65
118	108	Exch 12pc '99-02	112		10.67	9.99
107	99	Conversion 10pc 2002	103		9.72	9.60
105	97	Treas 9¾pc 2002	101		9.61	9.56
99	92	Exch 9pc 2002	96		9.35	9.49
131	121	Treas 13¾pc 2000-03	125		10.98	10.01
108	100	Treas 10pc 2003	104		9.61	9.47
		Over Fifteen Years				
117	108	Treas 11½pc 2001-04	111		10.29	9.82
108	100	Treas 10pc 2004	105		9.52	9.37
61	54	Funding 3½pc '99-04	59		5.95	8.26
104	97	Conversion 9½pc 2004	101		9.37	9.33
104	97	Conversion 9½pc 2005	101		9.35	9.30
113	105	Exch 10½pc 2005	110	......	9.54	9.30
128	118	Treas 12½pc 2003-05	123		10.13	9.51
92	85	Treas 8pc 2002-06‡‡	89		8.93	9.20
106	99	Conversion 9¾pc 2006	104		9.33	9.23
121	112	Treas 11¾pc 2003-07	117		10.04	9.52
97	89	Treas 8½pc 2007 ‡‡	94		8.97	9.09
137	127	Treas 13½pc '04-08	132		10.17	9.40
101	94	Treas 9pc 2008 ‡‡	99		9.04	9.04
92	85	Treas 8pc 2009	90		8.80	8.97
101	93	Conv 9pc Ln 2011 ‡‡	100		8.95	8.94
68	62	Treas 5½pc 2008-12‡‡	67		8.12	8.75
89	82	Treas 7¾pc 2012-15‡‡	88		8.76	8.89
131	121	Exch 12pc '13-'17	130		9.23	8.96

BRITISH FUNDS—Contd

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing. ... adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for ... December 1988:110.3

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Pierson Heldring & Pierson

Fund	Bid Price	Offer Price	+ or -	Yield Gross
Tokyo Pac (Seaboard) N	$276.27			-
Tokyo Pac Hldgs NV	$251.57			-
Leveraged Cap Hldgs NV	$275.57			-
Asia Pac Gth Fd NV	$42.11			-
DP Am Gth Fd NV	$22.13			-
Europe Gth Fd NV	Dfl50.67			-
DP Eqty Am Gth Fd NV	$35.28			-
Japan Diversified Fd	$38.63			-

Security Pacific Funds S.A. Lux

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

AMERICANS—Contd

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ## Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¥ No par value

B.Fr. Belgian Francs. Fr. French Francs ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	69	+1
Craig & Rose £1.. γ	710	......
Finlay Pkg. 5p.... γ	85	-1
Holt (Jos) 25p..... γ	1228	+18

IRISH

Cap. 8½% Ln. 1992...	£99½	......
9pc Cap Ln. 1996..	£101¼	......
Fin. 13% 97/02...	£122¼	......

Arnotts..............	395	......
Carrol (P.J.)....... γ	158	......

For Grafton Group see Industrials (Misc)

Hall (R. & H.).......	157	......
Helton Hldgs....... γ	67	......
Irish Ropes..........	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	20
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils	
Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	65
Ultramar	21

Mines	
Cons Gold	100
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar retains firm undertone

THE DOLLAR yesterday continued to draw support from high US interest rates and the determination of the US Federal Reserve to fight inflation, but its upward potential was blunted in Europe by the threat of further central bank intervention. Trading was confined to a relatively narrow range, of which DM1.85 is currently considered as the top. It was at this level that the Fed intervened and sold dollars on Wednesday afternoon. The Fed backed this up in New York yesterday by making further dollar sales at DM1.8480 after the close of business in London.

Central banks are likely to try and hold the dollar to around this level at least until a meeting of the Group of Seven on February 3. At that time they may well decide to cap the dollar, but at a higher level. Apart from the Fed however, the acquiescence of other central banks to a higher dollar is by no means assured. The West German Bundesbank has often made clear its desire to avoid importing inflation through a weaker D-Mark.

News of a 6.4 p.c. rise in US durable goods orders in December contrasted sharply with expectations of an increase of 0.7 p.c. although traders were wary of drawing conclusions about the economy from a set of figures renowned for their erratic nature. Investors will now be waiting for US fourth quarter Gross National Product data due today. Further evidence of continued strong economic growth is likely to put even more upward pressure on interest rates and the dollar.

While holding below DM1.85 to close at DM1.8440 from DM1.8430 previously, the dollar improved against the Japanese yen, partly reflecting the Bank of Japan's absence from recent rounds of co-ordinated intervention. The US unit finished at Y128.10 from Y127.75. Elsewhere it closed at SFr1.5675 from SFr1.5665 and was unchanged against the French franc at FFr6.2700. On Bank of England figures, the dollar's exchange rate index edged up to 66.9 from 66.8.

Sterling maintained its recent firm undertone, relying on the high level of UK interest rates to hold overseas demand. Attention is focused on the release today of UK trade figures for December. A deficit much worse than the median forecast of a £1.5bn current account shortfall will put upward pressure on interest rates and hence support the pound.

Sterling's exchange rate index rose to 98.1 from 98.0 at the opening and 97.9 on Thursday. Against the dollar, the pound rose to $1.7725 from $1.7710 and was also higher in D-Mark terms at DM3.2675 from DM3.2650. It rose against the yen to Y227.00 from Y226.25 and finished elsewhere at SFr2.7775 from SFr2.7750 and FFr11.1125 compared with FFr11.1050.

The French franc lost a little ground on news of a wider trade gap in December of FFr4.1bn against FFr3.6bn in November. This means that the shortfall during 1988 of FFr33bn was the worst for five years. The franc ended the day a little firmer

£ IN NEW YORK

Jan.26	Latest	Previous Close
£Spot	1.7720-1.7730	1.7705-1.7715
1 month	0.59-0.58pm	0.60-0.58pm
3 months	1.58-1.55pm	1.58-1.55pm
12 months	4.29-4.21pm	4.32-4.22pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.26	Previous
8.30 am	98.0	97.8
9.00 am	98.2	97.8
10.00 am	98.2	97.9
11.00 am	98.1	97.9
Noon	98.2	97.9
1.00 pm	98.2	97.8
2.00 pm	98.1	97.8
3.00 pm	98.1	98.0
4.00 pm	98.1	97.9

CURRENCY RATES

Jan.26	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.745799	0.638336
U.S Dollar	6.50	1.32066	1.13222
Canadian $	11.54	1.56525	1.33930
Austrian Sch.	4	17.0933	14.6758
Belgian Franc	7.75	50.9775	43.6753
Danish Krone	7½	9.43612	8.09818
Deutsche Mark	4	2.43252	2.08634
Neth. Guilder	5.00	2.74829	2.35501
French Franc	9½	8.28714	7.10240
Italian Lira	12½	1781.83	1527.08
Japanese Yen	2½	168.516	144.867
Norway Krone	8	8.80880	7.56321
Spanish Peseta	-	151.110	129.367
Swedish Krona	8½	8.28054	7.11202
Swiss Franc	4	2.06617	1.77588
Greek Drach.	20½	201.969	173.365
Irish Punt	-	N/A	0.779281

*All SDR rates are for Jan.25

CURRENCY MOVEMENTS

Jan.26	Bank of England Index	Morgan** Guaranty Changes %
Sterling	98.1	-14.1
U.S Dollar	66.9	-11.9
Canadian Dollar	102.7	-0.4
Austrian Schilling	106.4	+9.5
Belgian Franc	105.7	-6.3
Danish Krone	103.0	-1.8
Deutsche Mark	112.4	+20.1
Swiss Franc	108.2	+17.7
Guilder	109.7	+12.7
French Franc	98.7	-16.0
Lira	97.4	-20.1
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jan.25.

OTHER CURRENCIES

Jan.26	£	$
[illegible]	[illegible]	[illegible]
Korea(Sth)	1200.80-1210.45	677.50-683.10
Kuwait	0.50685-0.50805	0.28645-0.28655
Luxembourg	68.30-68.40	38.50-38.60
Malaysia	4.8075-4.8190	2.7170-2.7200
Mexico	4067.95-4080.90	2297.00-2303.00
N. Zealand	2.9010-2.9060	1.6360-1.6390
Saudi Ar.	6.6435-6.6540	3.7500-3.7510
Singapore	3.4215-3.4275	1.9315-1.9335
S. Af (Cm)	4.2345-4.2460	2.3910-2.3940
S. Af (Fn)	6.8130-6.9470	3.8460-3.9215
Taiwan	48.85-49.15	27.60-27.70
U.A.E.	6.6050-6.5170	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6753	+2.87	+0.82	±1.5344
Danish Krone	7.85212	8.09818	+3.13	+1.08	±1.5404
German D-Mark	2.05853	2.08634	+1.35	-0.70	±1.0981
French Franc	6.90403	7.10240	+2.87	+0.82	±1.3674
Dutch Guilder	2.31943	2.35501	+1.53	-0.52	±1.5012
Irish Punt	0.768411	0.779281	+1.41	-0.64	±1.6684
Italian Lira	1483.58	1527.08	+2.93	+1.66	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Jan.26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7695-1.7770	1.7720-1.7730	0.56-0.53cpm	3.69	1.56-1.51pm	3.46
Canada	2.0930-2.1050	2.0945-2.0955	0.40-0.27cpm	1.92	0.90-0.71pm	1.54
Netherlands	3.68-3.69¼	3.68½-3.69½	2¼-2cpm	6.71	6-5⅞pm	6.44
Belgium	68.20-68.65	68.30-68.40	33-27cpm	5.27	91-81pm	5.03
Denmark	12.67¼-12.70½	12.68-12.69	5⅜-4¼orepm	4.79	15¼-14½pm	4.65
Ireland	1.2165-1.2240	1.2200-1.2210	0.55-0.50pm	5.16	1.50-1.35pm	4.67
W. Germany	3.25¾-3.27½	3.26½-3.27	2-1⅞pfpm	7.12	5⅝-5½	6.81
Portugal	266.35-268.35	266.70-267.70	60-15cpm	1.68	110-15pm	0.94
Spain	201.95-203.70	202.30-202.60	35-20cpm	1.63	50-30pm	0.79
Italy	2385-2395¼	2392½-2393½	3-1lirepm	1.00	6-4pm	0.84
Norway	11.83-11.85¼	11.84-11.85	2-1⅝orepm	1.84	5⅞-5¼pm	1.77
France	11.09-11.14½	11.10¾-11.11¾	4-3¾cpm	4.18	11½-11¼pm	4.07
Sweden	11.13-11.15	11.13-11.14	2¼-2orepm	2.29	6¾-6¼pm	2.31
Japan	225¾-227½	226½-227½	1¾-1½ypm	8.26	4⅝-4½pm	7.93
Austria	22.95-22.99	22.97-23.00	12⅝-11¼gropm	6.23	38⅝-34⅝pm	6.37
Switzerland	2.76¾-2.78½	2.77¼-2.78¼	1¾-1⅝cpm	7.29	5-4¾pm	5.58

Belgian rate is convertible francs. Financial franc 68.70-68.80. Six-month forward dollar 2.71-2.66cpm 12 months 4.32-4.22cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7695-1.7770	1.7720-1.7730	0.56-0.53cpm	3.69	1.56-1.51pm	3.46
Ireland†	1.4490-1.4585	1.4515-1.4525	0.26-0.31cdis	-2.35	0.64-0.74dis	-1.90
Canada	1.1800-1.1865	1.1820-1.1830	0.15-0.20cdis	-1.77	0.54-0.61dis	-1.94
Netherlands	2.0755-2.0855	2.0815-2.0825	0.53-0.50cpm	2.97	1.60-1.56pm	3.04
Belgium	38.45-38.65	38.50-38.60	6.00-4.00cpm	1.56	17.50-13.50pm	1.61
Denmark	7.12⅞-7.16½	7.15½-7.16	0.90-0.50orepm	1.17	2.45-1.85pm	1.20
W. Germany	1.8375-1.8470	1.8435-1.8445	0.54-0.51pfpm	3.42	1.58-1.54pm	3.39
Portugal	150¾-151¼	151-151¼	15-35cdis	-1.99	60-110dis	-0.95
Spain	113.95-114.65	114.20-114.30	17-22cdis	-2.05	71-78dis	-2.61
Italy	1345-1351	1349¾-1350¼	2.30-3.00liredis	-2.36	8.10-9.10dis	-2.55
Norway	6.66½-6.68½	6.68-6.68½	0.85-1.10oredis	-1.75	2.75-3.05dis	-1.74
France	6.25½-6.28¾	6.26¾-6.27¼	0.32-0.25cpm	0.54	1.05-0.90pm	3.20
Sweden	6.26¾-6.29	6.28-6.28½	0.65-0.80oredis	-1.38	1.65-1.95dis	-1.15
Japan	127.45-128.25	128.05-128.15	0.51-0.49ypm	4.69	1.47-1.44pm	4.55
Austria	12.92¾-12.99	12.98½-12.99	3.35-2.65gropm	2.78	10.00-8.00pm	2.78
Switzerland	1.5615-1.5715	1.5670-1.5680	0.51-0.48cpm	3.79	1.45-1.40pm	3.64

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.75-38.85.

EURO-CURRENCY INTEREST RATES

Jan.26	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12⅞-12¹³⁄₁₆	13-12⅞	13⅛-13⅛	13⅛-13	12⅞-12¾	12⅞-12¾
US Dollar	9¼-9	9⅛-9	9¼-9⅛	9⅛-9⅛	9⅞-9⅞	9⅞-9⅝
Can. Dollar	10⅞-10⅝	10⅝-10½	10¾-10½	11⅛-10⅞	11⅝-11½	11⅝-11⅛
D. Guilder	6-5⅞	6⅛-5⅞	6⅛-6	6⅛-6⅛	6⅜-6⅛	6⅝-6⅜
Sw. Franc	4⅞-4⅝	5⅛-5	5⅜-5⅛	5⅝-5⅜	5⅝-5⅝	5⅞-5⅝
Deutschmark	5½-5	5⅝-5⅜	5⅞-5⅝	5⅞-5⅞	6⅛-5⅞	6⅛-6⅛
Fr. Franc	8⅝-8½	8⅝-8⅜	8⅞-8⅝	8⅞-8⅞	8⅞-8⅝	8⅞-8⅞
Italian Lire	11-9	12⅛-11⅛	11⅝-11⅛	12-11⅝	12⅛-11⅞	12⅛-12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Trade data may test sentiment

A TEST of sentiment will be seen on the Liffe market today, as the City reacts to the December UK trade figures. Dealers are likely to be wary of buying March short sterling contracts, unless the trade news is very good. A figure substantially lower than the expected deficit of around £1.5bn could push short sterling above resistance at 87.41, but traders warned that any advance is likely to be limited by a softening of the pound on the foreign exchanges.

Sterling's strength is a product of high interest rates; the better the trade figures, the less likely it is that rates will move up again.

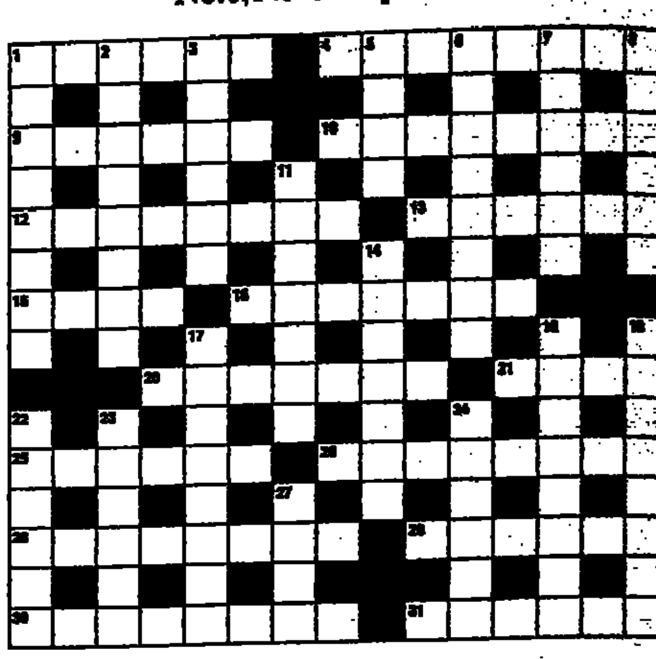
At the same time the market does not fear an early increase in rates, unless the trade news is exceptionally bad. Dealers said that although some fingers were burned by the failure of short sterling to consolidate above 87.41 on Wednesday, some comfort could be gained from its ability to hold a support level of 87.26 yesterday. Trading was quiet yesterday with the contract closing at 87.30, compared with 87.37 previously.

LIFFE LONG GILT FUTURES OPTIONS — LIFFE US TREASURY BOND FUTURES OPTIONS — LIFFE FT-SE INDEX FUTURES OPTIONS — LIFFE £/$ OPTIONS — LIFFE EURODOLLAR OPTIONS — LIFFE SHORT STERLING — PHILADELPHIA SE £/$ OPTIONS — LONDON SE £/$ OPTIONS — LONDON (LIFFE) — POUND-$ (FOREIGN EXCHANGE) — CHICAGO — EUROPEAN OPTIONS EXCHANGE

[illegible]

CROSSWORD

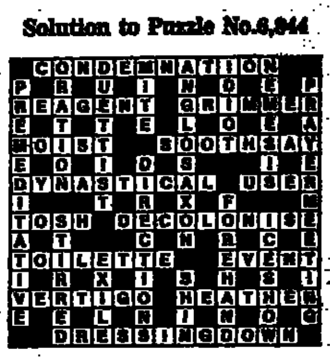
No.6,845 Set by VIXEN



ACROSS
1 He simply will not eat more quickly (6)
4 A set time for forming a judgment (8)
9 Men serving one with the wrong fruit (6)
10 Worn-out after swindle — and conscience-stricken (8)
12 Changing a lot in an inhabitant (8)
13 Disregard some sign, or eye it derisorily (6)
15 Celebrated old Chinese (4)
16 Popular military leader (7)
20 Drawing round interior of box (7)
21 School point-to-point (4)
25 Muscular married men? (6)
26 Access for transport (8)
28 Liberal favouring a student accepting work on the land (8)
29 For example a head backing introductory course (6)
30 Like the lower house, and yet unique (8)
31 Direct the formation of a certain trust (6)

DOWN
1 Company head showing great determination (8)
2 Landed in smart environment, which is ripping (8)
3 The newspaperman's "Right, love, time's up!" (6)
5 A quarter record work doggedly (4)
6 Altering the entire make-up (9)
7 Woman with a son about 51 (6)
8 The French may appear in uniform as a team (6)
11 Regrets strike over wrong order sent (7)
14 Touching spring produces a reaction (7)
17 Stuff that's relevant (8)
18 Flag, as usual (6)
19 Intrigue can bring profit (8)
22 Plug for late retirement? (4,2)
23 Previously carried around a couple of notes (6)
24 Enthusiasm makes the academician turn sullen (6)
27 The guards are quiet and awfully sad (4)

Solution to Puzzle No.6,844



MONEY MARKETS

Little comfort

THERE APPEARS to be little comfort at the moment for those hoping the recent upward trend in European interest rates will be quickly reversed. Indications are that central banks will continue to keep credit conditions tight.

The West German Bundesbank drained funds from the Frankfurt money market yesterday, and after the latest French trade figures there seems to be no prospect of any early reduction in Paris interest rates. Today's December UK trade figures are not expected to show much improvement over the November current account deficit of £1.6bn and are the equally unlikely to herald any early cut in British bank base rates.

UK clearing bank base lending rate 13 per cent from November 25

A widening of the French trade deficit in December led to suggestions that interest rates will remain high, to discourage consumption and protect the franc in the EMS. Paris call money was steady at 8⅞ p.c. yesterday, but period rates moved up ⅛ p.c. across the board.

In Frankfurt the Bundesbank withdrew liquidity via currency repurchase agreements, as call money fell to around 5.00 p.c. from 5.30 p.c. Under the terms of the agreement the central bank offered commercial banks a claim to purchase US Treasury paper, and then sell it back to the Bundesbank within a specified time. The paper is paid for in D-Marks, and therefore drains liquidity. Dealers said if this had not been done call money could have fallen to 4.50 p.c. today.

In London rates had a slightly firmer tone, on nervousness ahead of the UK trade figures. Three-month interbank was quoted at 13⅛-13 p.c., against 13⅛-13 p.c.

The Bank of England initially forecast a money market creditshortage of £250m, but revised this to £200m at noon. Total help of £207m was provided.

Before lunch the authorities bought £112m bills outright, by way of £21m bank bills in band 1 at 12⅞ p.c.; £71m bank bills in band 2 at 12¹³⁄₁₆ p.c.; and £20m bank bills in band 4 at 12¾ p.c. In the afternoon the Bank of England purchased another £97m bank bills in band 1 at 12⅞ p.c.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £47m, with the unwinding of repurchase agreements absorbing £189m; a rise in the note circulation £45m; and bank balances below target £65m. These outweighed Exchequer transactions adding £100m to liquidity.

In Amsterdam period rates were barely changed after the Dutch Central Bank awarded six-day special advances in line with expectations.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

[illegible]

COMPANY NOTICES

CREDIT DU NORD
USD 100,000,000 Floating Rate Notes Due 1997
[illegible]

NEWS INTERNATIONAL PLC
US$ 100,000,000
9% Guaranteed Bonds Due 1990 Convertible into US$ 100,000,000 Floating Rate Notes Due 1990
[illegible]

LEGAL NOTICE

[illegible]

PERSONAL

IS STRESS GETTING TO YOU?

[illegible]

WORLD STOCK MARKETS

CANADA

MONTREAL
4pm prices January 26

18852 BombrdrA	$13	12¾	13	+ ¼
102535 BombrdrB	$13	12¾	12⅞	+ ¼
28700 CB Pak	$19⅛	19	19⅞	+1¼
63483 Cascades	$08⅞	08⅛	08⅞	+ ⅛
254434 ConBath	$24½	24¼	24½	+7¼
18378 DomTxtA	$15	14⅞	15	
1525 MntTrst	$18½	18½	18½	+ ⅛
130871 NatBk Cda	$12⅝	12⅝	12⅝	+ ¼
27607 Noverco	$11¼	11½	11½	− ¼
722418 Power Corp	$15⅞	15	15½	+1⅞
36301 Provigo	$11¼	11	11¼	+ ⅛
94185 Royal Bank	$38¼	37¼	38	+ ⅝
10250 SteinbrgA	$33¼	33	33	− ¼
20395 Videotron	$15¼	15	15	

Total Sales 10,443,157 shares.

1 – No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	Jan 26	Jan 25	Jan 24	Jan 23	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2291.07	2265.89	2256.43	2218.39	2291.07 (26/1/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.39	89.34	89.22	89.12	91.25 (3/3/88)	86.12 (4/1/88)	–	–
Transport	1039.23	1024.81	1023.83	1012.48	1039.23 (26/1/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	190.43	190.49	191.15	189.31	191.15 (24/1/89)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2303.57 (2277.68) Low 2252.86 (2242.32)

STANDARD AND POOR'S	Jan 26	Jan 25	Jan 24	Jan 23	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite ‡	291.69	289.14	288.49	284.50	291.69 (26/1/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial (latest)	337.27	333.99	333.26	328.83	333.99 (25/1/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	26.14	25.98	25.82	25.38	26.42 (20/10/88)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	163.60	162.33	161.99	160.13	163.60 (26/1/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	321.42	319.50	318.74	318.03	321.42 (26/1/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	397.09	394.03	391.99	389.99	397.09 (26/1/89)	331.97 (12/1/88)	465.28 (26/8/87)	54.87 (31/10/72)

	Jan 20	Jan 13	Jan 6	year ago (approx.)
Dow Industrial Div. Yield	3.59	3.60	3.66	3.64

	Jan 25	Jan 18	Jan 11	year ago (approx.)
S & P Industrial div. yield	3.12	3.13	3.15	3.17
S & P Indl. P/E ratio	13.40	13.30	13.09	15.69

TRADING ACTIVITY † Volume

Millions	Jan 26	Jan 25	Jan 24
New York	212.250	183.610	189.620
Amex	12.640	11.000	13.572

NEW YORK	Jan 26	Jan 25	Jan 24
Issues Traded	1,977	1,969	1,960
Rises	957	803	1,014
Falls	514	627	467
Unchanged	506	539	479

NEW YORK ACTIVE STOCKS

RJR Nabisco	2,149,380	95	+ ⅛	Texas Eastern	1,840,300	48⅞	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

WORLD M.S. Capital Intl. (1/1/70)	(u)	509.3	509.6	502.2	509.6 (24/1/89)	401.0 (21/1/88)

**Saturday Jan. 21: Japan Nikkei (c) TSE (c) ‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday 26 January 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nissan	37.2m	1,380	+70	Kobe Steel	15.7m	739	−4
Osaka Gas	37.2m	905	+5	Nishimatsu	15.2m	1,070	+60
NKK	28.9m	966	−2	Nippon Oil	14.7m	1,620	+30
Mitsubishi Heavy Ind	21.3m	1,180	unch	Sato Kogyo	14.3m	1,250	+60
Nippon Mining	19.2m	881	+14	Sumitomo Metal	13.4m	751	+12

4pm prices January 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A-A-A -								
27⅞	17⅜	AAR	.44	1.7	18	417	26¼	26¼	26¼	- ⅛
10⅛	8⅞	ACM n	1.01	11.		434	9⅝	9⅛	9⅛	
12⅛	10⅛	ACMIn	1.26a	12.		516	10⅞	10⅞	10⅞	- ⅛
10⅛	8½	ACM M	n.17e	1.8		680	9⅜	9⅛	9⅜	+ ⅛
12⅛	10⅝	ACM Se	1.26	12.		734	10⅞	10⅝	10⅝	- ⅛
10⅛	8½	ACMSp	n1.01a	11.		471	9⅛	9	9	- ⅛
5⅞	2⅞	AMCA	.12e	3.4		134	3½	3½	3½	
6⅛	3⅞	AM Ind				3036	6⅛	5⅞	6⅛	+ ⅛
22⅞	18⅛	AM Int pf	2	9.0		x36	22¼	21⅞	22¼	+ ⅛
55⅝	33⅛	AMR			7	7481	55¼	53⅞	55	+1⅜
27	25	ANR pf	2.67	10.		1	26⅛	26⅛	26⅛	+ ⅛
24⅞	20⅞	ANR pf	2.12	8.8		3	24	24	24	- ⅛
9½	5⅞	ARX			9	389	5⅞	d 5	5¼	- ¼
48⅞	35¼	ASA	3a	7.3		489	41⅛	40⅞	41	
20⅛	12⅞	AVX	.24	1.3	13	1213	18⅛	18⅞	18⅞	- ⅛
52⅞	42⅞	AbtLab	1.20	2.5	15	4701	49	48⅞	48⅞	+ ⅛
20⅛	15⅛	Abitibi g	1			124	17¼	16⅞	17¼	+ ⅛
13⅞	7½	AcmeC	.40	4.2		81	9⅝	9½	9⅝	
8⅞	5⅞	AcmeE	.32b	4.9	29	19	6½	6½	6½	+ ⅛
29⅛	17½	Acuson			22	660	23⅞	23	23⅞	+ ⅛
17	14½	AdaEx	1.82e	12.		240	14⅞	14⅛	14⅛	
16⅞	7⅛	AMD			84	13863	9⅛	8⅞	9⅛	+ ½
43½	29⅛	AMD pf	3	9.3		10	32⅛	32	32⅛	+ ⅛
8½	5½	Adobe				60	7⅛	7	7	
18½	16½	Adob pf	1.84	11.		35	17⅛	16⅞	16⅞	+ ⅛
21⅛	20	Adob pf	2.40	12.		41	20⅞	20	20⅞	+ ⅛
9⅛	5⅞	Advest	.12	1.5	17	193	8⅛	8	8⅛	
52½	39½	AetnLf	2.76	5.7	8	2027	48⅞	48	48⅞	+ ⅛
44½	24	AflPb s	.22	.6		2251	39⅛	38⅛	39⅛	+1⅜
18⅝	13⅛	Ahmans	.88	4.9	9	2372	18	17½	17⅞	+ ⅛
4⅝	1⅞	Aileen			21	7	3⅝	3⅝	3⅝	+ ⅛
53⅛	37¼	AirPrd	1.20	2.6	11	1672	45¼	45	45⅝	+ ⅛

Continued on Page 41

هكذا وصل الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12½	7⅞	RLI Co	.26	4.8	7	57	8	7⅞	7⅞	
6⅞	4½	RPC			19	50	6⅛	6⅛	6⅛	
7½	6	RPS n				101	6⅛	6⅛	6⅛	
45⅞	29½	Racal n				6740	44⅞	42⅞	43½	−1⅞
1⅛	5-16	Radice				8	9-16	9-16	9-16	
88½	65½	RalsPur	1.65	1.9	13	x1149	84⅝	83½	84⅝	+1
10⅛	6	Ramad				5265	9½	9⅛	9⅛	+ ⅛
6½	4⅝	RangrO			58	451	5⅛	5⅛	5⅛	
54¼	30¼	Raycm	.32	.9	10	6536	34⅞	32⅞	33⅞	+1
12½	9	RJamFn	.20	1.7	12	50	11⅞	11¾	11⅞	+ ⅛
21⅝	17½	Raymer	2.80	13.	6	34	20	19¾	20	+ ¼
8½	2⅞	Raytch	.05e	1.4		4	3½	3½	3½	+ ⅛
73⅞	61	Raythn	2	2.8	10	4367	70½	69¾	70½	+1⅛
2½	½	ReadBt				1364	1⅛	1	1	− ⅛
5⅝	1⅞	RdBat pf				62	3⅝	3⅝	3⅝	
3⅝	1⅞	RdBt pfA				55	3½	3⅝	3⅝	
19	15¼	REIT	1.38	8.2	16	64	16⅞	16½	16⅞	+ ⅛
16½	14	RltRef	1.72	12.	9	10	14⅞	14⅞	14⅞	+ ⅛
12⅛	9⅛	RecnEq				178	11⅛	11⅛	11⅛	− ⅛
16⅛	9½	Reebok	.30	2.5	8	3704	12⅛	11⅞	11⅞	− ⅛
12⅞	9⅝	Reece	.15e	1.2	18	2	12⅛	12⅛	12⅛	+ ⅛
15-16	⅛	Regal				269	9-32	⅛	9-32	+1-16
8⅞	5½	RepFs	.24e	3.5		93	6½	6⅛	6⅛	
16⅞	12⅞	ReichTp	1.76	12.	9	39	14⅛	13⅞	14⅛	+ ½
7½	4⅛	RelGrp	.32	6.9	6	172	4⅝	4½	4⅝	
6⅞	4⅞	RepGyp	.20	3.7	27	197	5⅞	5⅛	5⅜	+ ⅛
46¼	39½	RepNY	1.26	2.9	8	318	44⅞	44⅛	44⅛	− ⅛
52½	45	RNY pfB3.78e		8.5		146	44½	44½	44½	+ ½
24⅞	14½	Roane	n.30e	1.4		1211	21⅝	21½	21⅝	− ⅛
27½	16½	RayRay	.76	2.8	13	824	27⅝	27⅛	27⅛	
60⅞	34	ReyMll	1	1.7	7	4876	59⅛	57⅞	58⅞	+ ⅝
40⅞	29⅛	RiteAid	.82	2.5	14	1384	32⅞	31⅞	32⅛	+ ⅝
1	5-16	RvrOak				50	⅛	⅛	⅛	
15½	8⅞	Robins				48	9	8⅞	8⅞	− ⅛
27	21⅞	vjRobins			14	227	26½	26⅛	26½	+ ¼

−X−Y−Z−

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
63	60¼	Xerox	3	4.9	11	11423	62	60⅛	61⅞	+ ⅝
50⅞	46	Xerox pf4.13		8.7		1	47½	47½	47½	+ ½
44¼	24⅞	XTRA	.72	1.7	16	239	42⅝	42	42	− ½
33	24	XTRA pf1.94		6.0		71	32⅛	32⅛	32⅛	
3⅞	2	Zapata				1525	3	2⅞	3	+ ⅛
27¼	15½	Zayre	.40	1.6	163	2581	24½	24⅛	24⅞	− ⅛
15½	10	Zemex	.40	3.4	15	5	11⅞	11⅝	11⅞	− ⅛
30	13⅞	ZenithE				2123	19¾	19½	19½	− ⅛
10⅞	8⅞	Zenin n	.69e	7.1		233	9⅞	9⅝	9⅞	
3⅛	1	vjZenLb				142	1⅝	1½	1½	
21⅝	15	ZenNat	.80b	4.7	8	134	17⅛	17⅛	17⅛	
18½	13	Zero	.44	2.4	15	297	18⅛	18	18⅛	+ ⅛
29½	19	Zurain	.66	2.4	16	133	28⅞	28⅛	28⅛	+ ½
11¼	9⅛	Zweig	1.06e	10.		470	10½	10⅛	10⅛	
10⅛	9	ZweigT	n.16e	1.7		586	9⅝	9⅛	9⅝	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices January 26

OVER-THE-COUNTER

Nasdaq national market, 3pm prices January 26

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WilsnF		22	10	14⅛	14⅛	14⅛	− ⅛
Windm s		14	3707	u25⅜	24⅞	25	+ ⅝
Wolohn	.28	13	1404	u24⅛	23½	23⅞	
WolvEx			476	7⅛	7	7⅛	+ ⅛
Worthg	.44	15	867	23⅛	23	23⅛	+ ⅛
Wyman	.80	14	331	14⅛	14½	14⅛	+ ⅛

−X−Y−Z−

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
XL Dta		19	469	u30	29	29½	+ ½
XOMA			859	15	14	15	+ ⅞
X-Rite s	.08	14	46	9⅛	9⅛	9⅛	
Xicor		12	3194	7⅝	7⅛	7⅝	
Xyvsn		53	376	5	4⅞	4⅞	
YelowF	.70	19	3919	31½	30⅛	31½	+1
ZionUt	1.44		105	21⅛	20⅞	20⅞	− ⅛

Continued on 42

FINANCIAL TIMES Friday January 27 1989

AMERICA

Self-confidence lifts Dow as volume soars to 212m

Wall Street

A STRONGER-than-expected rise in US durable goods orders during December was shrugged off by the equity market yesterday and modest losses at the opening were turned into another substantial rally by the close, *writes Janet Bush in New York.*

The Dow Jones Industrial Average, which has outperformed other market indices because of heavy buying of blue chip issues, closed 25.18 points higher at 2,291.07.

Volume surged to 212m, the first time more than 200m shares have changed hands in a session since early October 1988.

The Dow briefly traded above 2,300 in afternoon trading before slipping back towards the close.

Durable goods orders rose a seasonally adjusted 6.4 per cent last month compared with forecasts of an increase of less than 1 per cent. Even stripping out defence orders, they rose 5.4 per cent and, taking out transportation orders, they increased by 1.6 per cent.

That news triggered early selling in the US Treasury bond market but the decline was only modest, partly reflecting a surge in the dollar in currency markets.

By late trading, bond prices were quoted as much as ½ point higher at the long end of the yield curve while the dollar stood near its session highs at Y128.30 and at DM1.8475.

There has been a marked increase in volume on the New York Stock Exchange in recent days with the number of shares changing hands each day rising to around 180m compared with totals of around 120m late last year.

Although other indices such as the Standard & Poor's 500 have not done as well as the Dow, the higher volume is encouraging.

The market's advance on Wednesday was not nearly as convincing as its sharp rise on Tuesday but was fairly positive given weakness in bonds and the dollar.

The focus of the equity market in the late part of this week has been not so much what is going on in other markets or even the economy but rather on its own performance, now that it has reached territory not seen since before the October 1987 stock market crash.

So far, it has seemed very robust but there is some scepticism about whether the market will be able to advance very easily from these levels.

Today's preliminary estimate of fourth quarter GNP will be one focus for the equity market. The consensus forecast is for growth of 2.4 per cent compared with 2.6 per cent in the third quarter. US financial markets will also start turning their attention to next week's Group of Seven meeting in Washington.

Among featured stocks yesterday was RJR Nabisco which rose $⅜ to $95⅛ on reports that a $3bn offering of junk bonds to complete the financing of the deal had been oversubscribed.

A number of stocks weakened because of disappointing results. Telxon dropped $2¼ to $17¼ after reporting fiscal third quarter earnings at the low end of expectations. AMRE dropped $2⅛ to $7¾ because the company expects a $2m loss in its latest quarter.

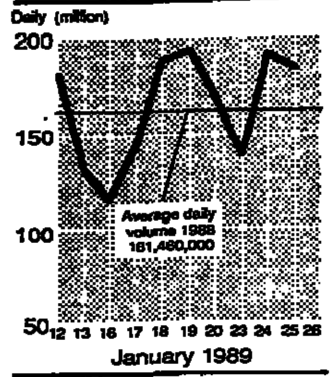
Champion Spark Plug jumped $1 to $19 in the wake of a $17.50 a share friendly bid by Dana Corp. Rumours that another suitor may emerge prompted heavy trading.

Stone Container fell $1¼ to $33¾ after it announced it would make a cash tender offer for Consolidated-Bathurst.

Among blue chips, IBM was up $2⅝ to $125⅞ and American Telephone & Telegraph, which announced a loss of $3.34bn in the fourth quarter, added $⅛ to $31.

Procter & Gamble, which posted net income in the second quarter of $1.92 a share compared with $1.52 a year ago, gained $1⅛ to $89½.

NYSE Volume



Canada

HIGHER gold and oil prices pushed Toronto sharply upwards at midsession. The composite index soared 42.7 to 3,610.6 on volume of 28.1m shares.

Consolidated-Bathurst jumped C$7⅞ to C$24⅞ after a bid from Stone Container of C$25 a share.

The entire forest products sector benefited from the Consolidated-Bathurst takeover offer. Domtar gained C$⅝ to C$16⅝ and MacMillan Bloedel advanced C$⅞ to C$20.

EUROPE

Company tidings spark brisk trade

CORPORATE news kept European bourses busy yesterday and, while the inevitable profit-taking did set in, selling pressure was not great, *writes Our Markets Staff.*

FRANKFURT succumbed to profit-taking after climbing for two consecutive sessions, although there was still a general reluctance to sell. Corporate news kept trading active, and volumes reached DM4.18bn.

The DAX index rallied at midsession, only to fall back and close off 11.30 at 1,329.73. The FAZ index ended the day 4.83 lower at 559.25.

One salesman said it was mainly the short-term player who was actively taking profits. "The long-term player and institutions are not put off," he said.

Siemens gave up DM5 to DM531 on news of first quarter profits in line with expectations. The chairman added that this year's earnings would not be below last year's, although corporate takeovers could affect short-term profits.

Hoechst rose DM4.50 to DM301, with demand fuelled by an upward revision of earnings for the chemicals industry by Degab, the research institute of Deutsche Bank.

Karstadt, with a 4.7 per cent rise in 1988 sales, eased DM3.50 to DM448.50 and Kaufhof added 50 pfg to DM420, forecasting 1988 profits similar to those in 1987.

In the construction sector, Holzmann built on the previous day's gains picking up another DM43 to DM697, a rise of 6.6 per cent, on sharply improved earnings forecasts.

PARIS gave up some ground after Wednesday's strong gains, but received a bit of a boost in late trading from the stability of Wall Street. The CAC 40 index gave up 12.30 to 1,667.42 and the OMF 50 index lost 3.99 to 463.40.

Early sentiment was knocked by worse-than-expected trade figures for December and trading was curtailed by a bourse employees' strike which delayed blue chips dealing for more than an hour.

Bouygues, which announced a 4.4 per cent rise in annual profits on Wednesday – slightly below expectations – fell FFr23 to FFr633. SCOA was again among the most heavily traded, falling FFr3 to FFr65.

Elf Aquitaine was one of the stocks to benefit from Wall Street's early performance, ending FFr2 lower at FFr443, having been down FFr6. Rhone Poulenc certificates d'investissements, now trading on the continuous market, rose FFr15 to FFr575 in active trade.

ZURICH was taken lower by a negative reception for Adia's link-up with Inspectorate, with the Crédit Suisse index easing 1 to 541.

Adia bearers fell SFr800, or 8.6 per cent, to SFr8,450, having been as low as SFr8,350. Inspectorate bearers added just SFr25 to SFr2,220.

Nestlé bearers edged up SFr5 to SFr7,340, with the company announcing after the close that 1988 sales rose by 15 per cent.

AMSTERDAM was another bourse to benefit in late trading from the strength on Wall Street, closing off its lows. The CBS tendency index edged up 0.8 to 163.8.

Investors returned to chemicals stock Akzo after selling off recently for the forthcoming listing of fellow chemicals company DSM and amid expectations of a higher dividend when Akzo's 1988 results are reported next week. Akzo added Fl 1.70 to Fl 155.20, while on the grey market DSM was quoted at Fl 114.20, against the previous Fl 113.90.

MILAN edged above morning lows, but most stocks ended mixed to lower as the market's worries about the prospect of capital gains tax on share transactions resurfaced.

The Comit index slipped 1.49 to 605.33 in volume similar to Wednesday's.

Fiat dropped L85 to L9,872, falling further after the close. Its good results reported on Tuesday had mostly been discounted.

Benetton, the clothes maker, gained L469 to L11,479. It is discussing a joint venture in Australia concerning the possible construction of a wool plant.

BRUSSELS closed mixed to higher in moderately active trading, boosted by foreign interest. The three newly computerised stocks again drew heavy turnover: retailer GB-Inno was steady at BFr1,440 as 21,200 shares changed hands, chemical group Solvay rose BFr50 to BFr13,600 on 5,375 shares and Tractebel was unchanged at BFr8,900.

Steel shares declined, with Cockerill easing BFr1 to BFr354 on 16,000 shares traded and Luxembourg-based Arbed off BFr45 at BFr4,450 on 8,450 shares. The cash market index gained 8.7 to 5,788.6.

STOCKHOLM racked up its third consecutive record high, with very few sellers in evidence. The Affärsvärlden general index rose to an all-time high of 1,066.0, up 8.6, and turnover reached SKr430m in value.

MADRID moved higher for a second day, led by rising blue chips, in spite of caution after the deadlock at talks between the Government and unions on Wednesday. The general index picked up 0.99 to 280.44.

OSLO was taken higher still by strong foreign and domestic demand, with the all share index climbing past 400 to 401.34, a rise of 3.20.

ASIA PACIFIC

Nikkei slips as caution dominates

Tokyo

THE POSSIBILITY of restrictions on margin transactions which has been lingering in the air for the past few days kept investors on their toes. Share prices dropped moderately in what was generally taken to be a necessary correction, *writes Michiyo Nakamoto in Tokyo.*

"People haven't decided which way to jump," was the way one broker put it. The Nikkei average moved within a fairly narrow range before closing down 55.98 at 31,511.81.

Considerable buying interest kept issues that advanced at 475, slightly ahead of those that declined at 453, while 166 issues were unchanged. Turnover dropped to 1bn shares from Wednesday's 1.17bn.

The Topix index of all listed shares dropped 4.90 to 2,458.09, while in London, the ISE/Nikkei 50 index moved higher, adding 4.67 to 1,981.64.

In Tokyo, investors had been cautious for the past few sessions since rumours spread that signs of overheating in the market were leading authorities to consider restricting margin transactions. Even without those rumours to put a damper on activity, the feeling had begun to spread that the market would do well to take a day or two of rest.

"The correction was supposed to come on Wednesday," said Mr Mitsuru Maekawa at Jardine Fleming. However, investors were carried away by the excitement over Wall Street's previous overnight rise, with arbitraging lifting the Nikkei again. Yesterday's downturn was a natural extension of events, he said.

Remarks by the Bank of Japan's governor, Mr Satoshi Sumita, that the central bank was prepared to take quick action should the economy show serious signs of overheating, also left investors wondering what the central bank's short-term policy was on interest rates.

The market's present sensitivity to interest rates was reflected in the decline of issues that are considered to be interest-rate sensitive, such as large-capital steels, and the relative strength of those that are known as inflation-hedge stocks, particularly non-ferrous metals.

Among large capital issues, NKK was the third busiest issue with 28.9m shares traded, dropping Y2 to Y966.

Non-ferrous metals were favoured as steady issues in the face of possible inflation. Nippon Mining gained Y14 to Y881 in heavy trading and Sumitomo Metal Mining rose Y10 to Y1,600.

Maruetsu, a chain store operator, advanced Y200 to Y1,750 on rumours that the Seibu group, which owns a department store chain, is interested in buying the company.

Several construction issues staged a strong performance. Such stocks are likely to benefit from the Government's fiscal investment, particularly those expected to receive more orders when projects to lay the three new bullet train lines begin next year. Sato Kogyo, which has tunnel-building experience, added Y60 to Y1,250 and Nishimatsu Construction, a specialist in large-scale civil engineering projects, advanced Y80 to Y1,070.

In Osaka, the OSE average was supported by interest in resources issues and finished up 21.76 at 29,671.67. Turnover was slightly lower at 111m shares against 122.7m.

Roundup

TURNOVER jumped in Australia and Singapore, where share prices ended higher, but South Korea saw its lowest volume since the middle of last year.

AUSTRALIA had a busy session as options-related trading helped take volumes above A$400m for the first time in eight weeks.

The All Ordinaries index added 3.5 to 1,540.0, and turnover rose to 192.8m shares worth A$432.5m.

Options expired in BHP, Elders IXL, MIM and National Australia Bank and all saw heavy trading. BHP fell 4 cents to A$7.48 on volume of 16.9m shares while Elders moved 5 cents higher to A$2.98 on 18m shares traded.

SINGAPORE saw volumes jump to their highest level in five months, spurred by the overnight rise in New York, and share prices ended higher.

The Straits Times industrial index rose 7.23 to 1,108.71 and turnover increased to 78.2m shares from 56.8m.

Keppel was the busiest stock, rising 4 cents to S$3.26 on turnover of 6.7m shares, boosted by a block deal of 5.75m shares. Keppel warrants rose 2 cents to 76½ cents with 2.2m units changing hands.

HONG KONG appeared happy to see Wednesday's land auction over and done with, and bullishness returned in later trading enabling stock prices to gain ground.

The Hang Seng index ended 9.83 higher at 2,910.57 on turnover worth HK$1.22bn, little changed from Wednesday. The land auction price had been expected by many to be higher than it was.

International Maritime Carriers topped the active list, falling 7½ cents to HK$4.67½.

SOUTH KOREA suffered its lowest turnover for about six months, while the composite index rose 3.06 to 861.46.

SOUTH AFRICA

DEMAND for quality stocks helped Johannesburg close higher. Gold shares firmed on the back of an improved bullion price, with Buffelsfontein up R3.50 at R58.50.

Finns benefit from Swedish influx

Olli Virtanen on the foreign interest that has driven Helsinki higher

FINLAND'S stock market is enjoying a healthy boost from Swedish investors, who have been flocking to Helsinki since Thursday last week following the liberalisation of foreign investment in neighbouring Sweden.

Helsinki's Unitas general index has risen by 1.2 per cent over the past six sessions, from 736.6 to 745.2 yesterday, when it slipped on profit-taking. The unofficial Kansallis free share index, meanwhile, has jumped by more than 4.7 per cent.

The increase in turnover has been even more dramatic. Before the liberalisation in Sweden, average daily turnover at Helsinki was stuck at the relatively depressed level of FM50m to FM60m ($11.7m to $14m); after the "Swedish invasion," it almost doubled to FM90m to FM100m, although it fell back yesterday to FM74m. Brokers say other foreign investors, as well as Finnish ones, have jumped on the bandwagon, also buying unrestricted shares.

The main target of the shopping spree has been Pohjola, Finland's leading insurance group. Pohjola's B shares have risen in a week from FM91 to FM97.1 yesterday while turnover has risen from 70,000 shares pre-liberalisation to an average 300,000 over the past six sessions.

Swedish investors brought a welcome boost to the free share market, which has been fairly passive since the 1987 global market's crash. Foreign investors left Finland in the aftermath of the market's collapse and have not yet returned to a significant degree. Some Finnish analysts, including Mr Arto Laakkonen, head of equity research at Kansallis-Osake-Pankki, the leading commercial bank, regard this as surprising because the economy is still sound, with companies performing better than ever.

The forest products industry, which continues to enjoy full capacity utilisation, is still particularly undervalued, according to Mr Timo Nikinmaa, chief economist at Unitas, Finland's leading stock brokerage.

Most analysts believe preliminary corporate results, due to be released within the next few weeks, will provide a further fillip for share prices.

In spite of the relatively good corporate performances, however, the Finnish economy does have some clouds on the horizon. The balance of payments deficit is expected to get worse before it gets better and companies will be more hamstrung by cost escalation. Interest rates will remain high for the foreseeable future.

The Swedish move has therefore come at an opportune time for Helsinki, and investor confidence in the small Scandinavian market seems the strongest it has been for months.

IFC EMERGING MARKETS INDICES

Market	No. of stocks	PRICE December 1988	% Change on Nov (Dollar terms)	% Change on Dec 31 '87	December 1988	% Change on Nov (Local currency terms)	% Change on Dec 31 '87	TOTAL RETURN December 1988	% Change on Nov (Dollar terms)	% Change on Dec 31 '87
Latin America	(158)	152.9	6.9	77.1	–	–	–	200.6	7.3	94.2
Argentina	(24)	177.8	1.2	30.3	16,064.4	6.7	508.5	199.0	2.1	40.4
Brazil	(56)	92.3	20.6	104.3	20,644.7	54.6	1,999.0	126.6	21.1	131.0
Chile	(25)	457.1	2.7	22.2	880.9	4.6	31.1	694.7	3.9	37.0
Mexico	(53)	347.4	−6.8	98.5	4,168.2	−6.4	109.3	448.4	−6.8	107.8
Asia	(204)	290.1	−10.0	76.0	–	–	–	355.5	−10.0	83.6
Korea	(61)	475.3	12.3	93.7	393.6	11.8	66.8	777.6	12.4	112.8
Malaysia	(62)	108.9	2.2	22.1	121.7	3.5	33.0	126.6	2.4	29.2
Taiwan	(62)	673.6	−24.1	98.8	481.0	−23.8	96.6	733.8	−24.1	101.2
Thailand	(19)	218.2	−1.7	30.8	202.5	−1.1	30.8	260.7	−0.5	42.5

Source: International Finance Corporation. Base date: Dec 31,1984.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of stocks per grouping)	THURSDAY JANUARY 26 1989: US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	WEDNESDAY JANUARY 25 1989: US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX: 1988/89 High	1988/89 Low	Year ago (approx)
Australia (90)	153.67	+0.1	128.54	116.26	4.63	153.57	128.56	115.93	153.67	91.16	97.97
Austria (16)	96.36	−0.6	80.60	92.41	2.46	96.93	81.15	92.87	100.00	83.72	89.50
Belgium (63)	135.90	+0.2	113.68	130.04	3.86	135.62	113.53	129.77	139.89	99.14	105.74
Canada (126)	135.03	+1.6	112.94	115.62	3.15	132.86	111.22	113.96	135.03	107.06	109.04
Denmark (39)	158.37	−0.1	132.47	154.17	1.97	158.58	132.75	154.27	161.60	111.46	113.68
Finland (26)	133.52	−0.5	111.68	119.31	1.46	134.17	112.32	119.98	139.83	106.78	110.43
France (131)	118.60	−0.6	99.20	116.63	2.78	119.33	99.89	117.36	119.33	72.77	74.13
West Germany (102)	86.12	−0.7	72.03	82.56	2.29	86.68	72.57	83.06	90.40	67.78	68.38
Hong Kong (46)	120.73	+0.3	100.99	120.92	4.08	120.41	100.80	120.59	120.91	84.90	91.49
Ireland (18)	133.70	−0.1	111.84	129.75	3.88	133.57	111.81	129.93	144.25	104.60	112.85
Italy (98)	84.18	−0.5	70.41	84.87	2.37	84.63	70.85	85.20	86.82	62.99	70.39
Japan (456)	194.35	−0.6	162.56	157.37	0.48	195.53	163.69	157.90	197.43	133.61	149.46
Malaysia (36)	152.30	+0.7	127.39	151.46	2.67	151.28	126.65	150.04	154.17	107.83	119.14
Mexico (13)	161.29	+0.1	134.91	405.59	1.26	161.13	134.89	405.19	182.24	90.07	130.92
Netherland (38)	114.72	−0.3	95.96	109.02	4.53	115.04	96.31	109.21	115.04	95.22	96.91
New Zealand (24)	70.46	−0.2	58.94	61.27	6.43	70.62	59.12	61.62	84.36	65.32	73.29
Norway (26)	160.08	+1.0	133.90	145.20	1.87	158.46	132.65	143.83	160.08	98.55	98.55
Singapore (26)	135.86	+0.8	113.64	120.99	2.20	134.74	112.80	120.34	136.89	97.99	125.13
South Africa (60)	128.47	+0.7	107.46	109.06	4.24	127.59	106.81	108.30	139.07	98.26	125.13
Spain (42)	149.61	+0.5	125.14	129.49	3.23	148.86	124.62	129.07	164.47	130.73	136.52
Sweden (35)	149.62	+0.9	125.15	139.16	2.05	148.35	124.19	138.14	149.62	96.92	105.40
Switzerland (57)	78.25	+1.1	65.45	75.85	2.24	77.44	65.25	75.49	[illegible]	[illegible]	77.09
United Kingdom (314)	144.67	+1.1	121.01	121.01	4.48	143.06	119.76	119.76	144.67	120.66	131.31
USA (570)	118.63	+0.9	99.23	118.63	3.58	117.55	98.41	117.55	118.63	99.19	103.38
Europe (1007)	118.31	+0.3	98.96	106.71	3.54	117.92	98.71	106.38	118.31	97.01	99.91
Nordic (126)	144.52	+0.4	120.89	131.44	1.94	143.96	120.51	130.98			
Pacific Basin (678)	189.63	−0.6	158.61	154.06	0.69	190.71	159.65	154.53	192.26	130.81	145.22
Euro-Pacific (1685)	161.09	−0.3	134.74	135.26	1.54	161.57	135.26	135.43	161.61	120.36	127.11
North America (696)	119.51	+1.0	99.97	118.47	3.55	118.38	99.10	117.36	119.51	99.78	103.68
Europe Ex. UK (693)	101.86	−0.3	85.20	97.98	2.79	102.18	85.54	98.25	102.91	80.27	80.49
Pacific Ex. Japan (222)	133.11	+0.2	111.34	112.26	4.36	132.88	111.24	111.96	133.11	87.51	94.03
World Ex. US (1884)	159.86	−0.2	133.71	134.48	1.61	160.23	134.14	134.57	160.23	120.36	126.48
World Ex. UK (2140)	143.93	+0.0	120.39	129.96	1.98	143.91	120.48	129.77	143.93	111.77	116.19
World Ex. So. Af. (2394)	144.07	+0.1	120.51	129.24	2.19	143.92	120.48	128.95	144.07	113.26	117.47
World Ex. Japan (1998)	119.77	+0.7	100.18	114.25	3.59	118.95	99.57	113.40	119.77	100.00	102.00
The World Index (2454)	143.98	+0.1	120.43	129.10	2.21	143.82	120.40	128.81	143.98	113.37	117.53

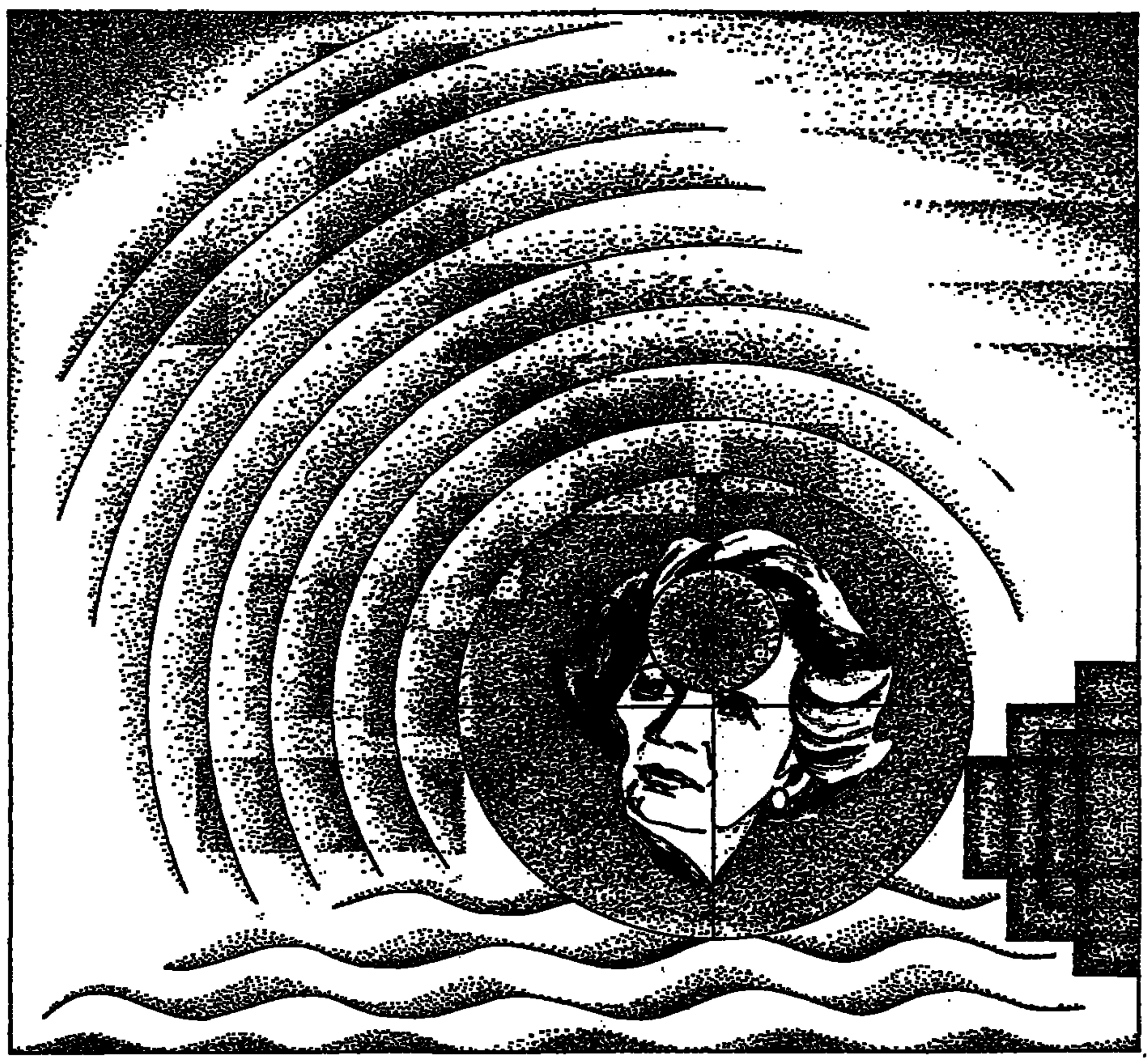
Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).

Latest prices were unavailable for this edition.

SECTION III

FINANCIAL TIMES
SURVEY

There are stirrings of confidence in Britain's regions as the benefits of sustained growth spread northwards, reports **Hazel Duffy**. But it is still far from clear that high levels of activity in the South-East will lead to a narrowing of the north-south divide



Britain's Regions

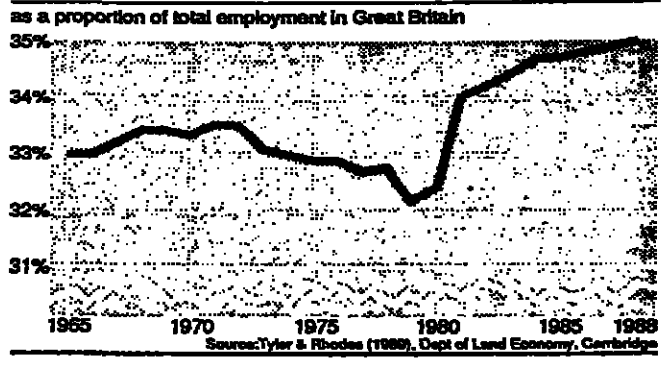
A TEST FOR THATCHERISM

CONTENTS

Illustration by Ann Chesseand
Maps by Bob Hutchison

Total employment in the South East

as a proportion of total employment in Great Britain



Source: Tyler & Rhodes (1989), Dept of Land Economy, Cambridge

Boom ripples northwards

MRS THATCHER, the Prime Minister, is chasing an elusive goal. If her policies can close the economic and social gap between Britain's regions, she will have succeeded where governments have failed for the past 100 years.

Certainly, there are definite stirrings of confidence in the regions as the sustained economic growth enjoyed in the south is at last rippling northwards. And if the increasingly buoyant statements by some ministers are an accurate reading, that new regional confidence is justified.

But the facts do not always support the rhetoric. There is a lot of catching up to be done. All the indicators show that the divide between the north and the south has widened since 1979. The Government's policies on interest rates and sterling hit the north hardest in the early 1980s. It has been the south which has benefited most from the resurgence of growth.

In this uneven distribution of the fruits of Thatcherism, the worst affected areas have been the inner cities where the plight of unemployment has accentuated the social and political division of Britain.

Mrs Thatcher did not set out to make the regions a special case. In her determination to make British industry more competitive, there were few compensating measures to help the blighted regions to adapt.

In fact, the Thatcher government would have liked to cut back Government grants to industry more than it actually has done. Ideally, it would have preferred to abolish them completely. But every other country in the European Community dangles financial carrots before internationally-mobile industrial investment projects, so Britain cannot afford to go it alone. The Government's direction, therefore, has been to make grants more selective.

The provision for regional grants for the next three years is around £850m, which implies continued scaling down of the total amount of assistance as regional development grant is phased out.

The Thatcher Government has also targetted financial assistance and incentives more on the inner cities. Urban development corporations, enterprise zones and urban grants are directed at encouraging the private sector to regenerate derelict acres.

The message from the regions in the past year, however, has been positive. Unemployment is falling, manufacturing output is going up, the service industry sector is expanding, self-employment is growing.

Where there has been development, it has largely been generated from within the region itself. The growing provision of financial services in cities like Manchester and Leeds, for instance, is mainly serving their regions, in contrast to the global services provided by London.

But a new factor has started to emerge, which, over a lengthy period, could benefit the outlying regions. It is the overheating of the South-East economy. Growing traffic congestion, labour skills shortages, and, until recently, soaring house prices, are changing the cost structure to the advantage of the regions outside of the South East.

This change is an underlying factor to help regional recovery, to help other regions catch up with the South-East. It opens up the possibility of future change, but so far little more than that. This is clear in the unemployment figures.

The rate of unemployment has become a powerful statistic since 1979, and one that is used frequently to take the temperature of the health of the regions. Ministers proudly proclaim the month-by-month fall. But this ignores the fact that, on a more localised basis, male unemployment is still high in parts of the regions, as the maps on pages 4 and 5 show.

Unemployment figures are one measure – albeit rather inadequate - of the diversity within regions. Unemployment blackspots are balanced by areas which are much more buoyant in all of the regions. Good communications can be seen to be an important factor in identifying the areas of recovery. The east-west M62 corridor and the southern end of the M6 are good examples. They support bids by the regions for accelerated roads-building programme, and improved rail links.

Then there have always been local pockets of prosperity in the Midlands and the North, like Solihull, Harrogate, Matlock and Macclesfield. In her rare references to the regions, Mrs Thatcher has emphasised these bright spots. In response to a Parliamentary question two years ago, she said: "You are quite wrong in trying to give any impression that the North of England is down and out when very many parts of it are very prosperous."

Mrs Thatcher is right, but it is not an argument for there being no division. If north and south contain pockets of prosperity and poverty, a lower average figure on a measure of living conditions for one area means that its better-off places are outweighed by much worse conditions in its poorer parts." (Jim Lewis and Alan Townsend, The North-South Divide, to be published next month by Paul Chapman. £12.95.)

Taking employment as a measure, the graph (proportion of jobs in the south) shows that, historically at least, the south has been the clear winner in jobs. Service employment has grown throughout the country, but faster in the south. The net job gain between 1983 and 1987 was 1 per cent in the north, compared to 6.1 per cent in the south. Income and expenditure figures likewise show not only higher levels for the south but also that they have been growing faster in the south.

To date, then, market forces have shifted the balance in favour of the south. The core of activity and wealth is London and the South-East, as it has been for at least the last 100 years, and the fastest growing regions have been East Anglia and the South-West. Their proximity to the South-East, and their natural environment unscarred by heavy industry, have been the main factors in making them the regional success stories of the 1980s.

The radius out of London and the South-East is widening a little. The south east of Wales, with good road and rail connections to London, is proving popular. Parts of the east Midlands are seen by business as a good location, and the extensions of the M40 to Birmingham is also making the south Midlands more attractive.

Most of the rest of the country, however, has yet to benefit adequately from the high level of activity in the South-East. Indeed, the buoyancy of the south (although there are pockets of deprivation, notably in inner London) seems destined to be reinforced by its geographic closeness to the Continent and the centre of the European Community, and by the Channel Tunnel.

The pressures in the south pose a planning dilemma for

Continued on page 10

Geographical division of wealth has widened in the past 10 years

Lop-sided recovery of 1980s

IN THE debate about Britain's north-south divide, one assertion is beyond doubt – the abundance of anecdotal evidence far outstrips the availability of comprehensive economic figures.

From economic statistics it is hard to make more than generalisations about the split of incomes and assets between regions, cities and between rural and urban areas. In contrast, saloon bar debate will yield a dozen stories about how much better off individual households have become by moving out of town or from south to north.

A good starting point is regional figures for gross domestic product. These give a guide to the level of activity in an area, reflecting both output and incomes. Latest figures published by the Central Statistical Office map trends in the decade to 1987, showing how regions compare with UK average GDP in each year. The figures are calculated per head, which takes account of the large population differences.

Not surprisingly, Greater London ranked top at 29.4 per cent above average in 1987. Next highest was the Rest of the South East, where GDP was 11.6 per cent higher than the average. Other regions were all below average - giving some impression of the tilt towards the South.

Northern Ireland is at the bottom of the league, at 22.6 per cent below average. One rung up was Wales and then, slightly higher, north England.

Looking back 10 years shows the difference between the extremes has grown; the South-East has become more affluent relative to the average, Northern Ireland relatively worse off

In other areas the story is different and suggests the pattern of a growing north-south divide is not clear cut. In the North, for example, GDP per head relative to the UK showed a slight increase in 1987 following a sharp fall between 1981 and 1986.

The problem with GDP figures is the difficulty in accounting for price differences between regions. If the rate of inflation has varied significantly across the UK – which seems likely given the lop-sided character of economic recovery in the 1980s – the measure will be a less accurate

% GDP per head (UK=100)

Region	1977	1981	1987*
North	94.3	93.7	88.9
Yorkshire & Humberside	95.1	91.7	92.7
East Midlands	97.2	97.1	95.1
East Anglia	97.4	98.3	99.8
South East	112.2	117.3	118.5
Greater London	122.8	128.0	129.4
Rest of South East	104.1	110.1	111.6
South-West	92.1	93.2	94.0
West Midlands	97.4	90.5	91.6
North West	96.5	94.3	92.8
ENGLAND	101.8	102.1	102.4
WALES	86.9	83.3	82.4
SCOTLAND	97.1	96.3	94.5
NORTHERN IRELAND	73.9	78.2	77.4

* provisional

Source CSO

indicator of standards of living.

Probably most distortion is due to the effect of house prices. For existing owners, higher prices boosts wealth and, in recent years, has encouraged rapid growth in equity withdrawal, boosting consumer spending. For new buyers, however, higher prices mean bigger mortgages relative to incomes and therefore less for discretionary spending.

At the same time, migrating households have been able to take advantage of house price differentials to sell property in a high cost area and buy in a cheaper region, unlocking capital and boosting spending in regions such as north England.

The effect of the variation of house prices is apparent from surveys by The Reward Group, the pay and cost of living advice company. It constructs a "quality of life" index which compares the average salary of a middle manager with the cost of living in a region. Salaries and costs are calculated relative to the national average.

The costs assume a household has to buy a house in the region, which means the spread of the results across regions is exaggerated as the house price divide widens over time.

Its latest survey in September showed that at the bottom was Greater London where costs of living were 36.1 per cent higher than the national average while middle managers' pay was 11.9 per cent above average. This gave a quality of life index factor of -24.2.

At the other end were North England, Scotland and Yorkshire and Humberside with index factors of +17.8, +14.1, and +10.8 respectively. This suggests that when in employment, spending power can be enhanced in these parts of the country.

Part of the reason why house prices can have such a large effect on relative affluence is that pay levels display comparatively little variation. Among manual workers, this is particularly striking. The 1988 New Earnings Survey shows that average gross weekly pay of full time manual employees on adult rates in Great Britain varied between £177.9 in the south west to £200.5 in the South-East in April 1988 – a difference of only some £20.

Probably most distortion (in GDP figures) is due to the effect of house prices

Even among non-manual employees, the uniformity is surprising given differences in house prices – varying from £210.6 in Wales to £272.8 in the South-East. Probably the pattern reflects pay deals set at national levels with regional allowances not accurately reflecting either differences in labour demand or in prices.

Also determining differences in regional spending power is unemployment. With wages more or less constant, total incomes per head vary according to the number out of work. In this respect East Anglia and the South-East fare best. However in the late 1980s, with unemployment often falling fastest in the more depressed areas, the North could be catching up.

More localised unemployment figures can be used to give a insight into the split between rural and urban areas. Greater London's unemployment rate of 8.8 per cent in October 1987 compared with an average of 7.7 per cent for the whole of the South-East. In the North West, the region's unemployment rate was 14.0 but in Merseyside it was 19.2 per cent.

This sort of measure, however, gives only a limited impression of relative wealth. They are averages for large regions (the South-East, for instance, has a population of 17.3m) disguising the extremes and variations around regional averages. Part of inner London, for instance, are among the most deprived in Europe.

Recent figures for total wealth including financial assets by region are not readily available. Other guides to relative prosperity may provide a partial insight – for instance figures for the consumption of consumer durables.

Ownership of, say, video recorders is likely to reflect general wealth and confidence about economic prospects as well as incomes. In 1984-85, video recorder ownership varied from 22 per cent of households in Northern Ireland to 32 per cent in the South-East.

Another snapshot of life comes from a survey conducted by MORI on behalf of the recruitment consultancy Hoggett Bowers and published in December. This showed company directors and executives in the north of England are happier about their life-style than counterparts in the south.

In contrast a survey of business leaders' opinions by Manchester Business School in October showed a majority of chief executives and finance directors in south England regards a significant part of the north as a cultural desert, set in attractive countryside but with a unionised, disruptive workforce.

Ralph Atkins
Economics Staff

POLITICAL DIMENSIONS

The anger of 'two nations'

PERHAPS more than any other subject, the north-south divide is guaranteed to send pulses racing and temperatures rising at Westminster.

In a place where everything from the fate of donkeys to the future of football can bring MPs to boiling point, the Commons reserves a very special passion for the "two nations" issue.

It is, variously, a scandal, a subject for national shame, a cruel manifestation of uncaring Thatcherism or, conversely, an over-simplistic analysis, an entirely false premise, a political chimera employed by desperate critics intent upon devaluing the government's economic miracle.

But if the subject can give rise to almost as many opinions as there are MPs, there can be no disagreement about the divide which now characterises the political map of the United Kingdom.

It is a phenomenon which has been underway for at least the last thirty years, with party support increasingly reflecting the continuing tilt in the geographical axis of economic growth; the Conservatives have advanced most where there is economic growth and security and least where there is deprivation and decline.

Since the 1950s, the long-term swing in favour of the Conservatives has been in the south and the Midlands, the suburbs, the small towns and in the countryside, where they have always been dominant. The shift towards Labour, on the other hand, has been in the north and in Scotland and in the inner-cities.

The effect has been dramatic. According to Prof Ivor Crewe of the University of Essex, Labour's share of the national vote fell by six per cent overall between 1959 and 1987, but it was down by as much as 16 per cent in East Anglia and 14 per cent in the south west.

Above the Humber-Mersey line, however, Labour raised its share of the vote, by between five and seven per cent in the north and north west and by 14 per cent in Scotland.

By the end of the last general election, Labour's presence in the south had been decisively reduced to little more than a token representation, with its continuing grip on several inner-London constituencies keeping alive its aspirations in the south. Even there, traditional Labour strongholds like Battersea fell to the Tories.

If Labour is to stand any chance of winning power at the next general election, then it has to rekindle its appeal to electors in the south and pick up seats which, at present, seem well beyond its reach. To make matters worse, boundary changes in the pipeline shift the balance further in favour of the Tories, making Labour's task an even bigger uphill struggle.

The challenge has not gone unnoticed. Earlier this month, it was announced that Mr Gordon Brown, the shadow Treasury spokesman, is to embark on a tour of the Tory heartlands which the leadership accepts it must at least partially regain if Labour is to avoid its fourth consecutive election defeat.

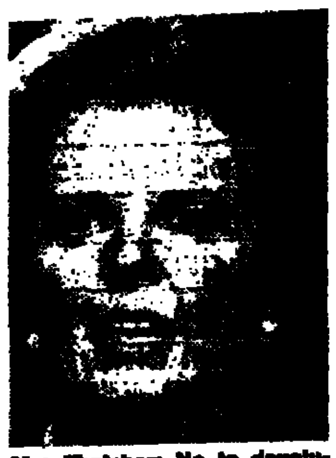
As for the Tories, for strength in the south read weakness in the north, where support has slowly been eaten away. While in 1959, the cities of Glasgow, Edinburgh, Liverpool, Newcastle, Bradford, Leeds, Manchester, Sheffield and Hull had returned no fewer than 28 Tory MPs, by 1987 the number was down to five.

Nowhere is the Tory dilemma more clear cut than in Scotland, where its failure to rebuild popularity – combined with Labour's perceived inability to influence events at Westminster – now threatens to rekindle a wave of support for the nationalist movement.

Nowhere is the Tory dilemma clearer than in Scotland, where its failure to rebuild popularity, combined with Labour's perceived inability to influence events at Westminster, threatens to rekindle a wave of support for the nationalists

After the 1987 election, Tory representation in Scotland dwindled to just ten MPs, fewer than half the previous level. By contrast, Labour finished with 50 seats, one of which it has since lost to the Scottish National Party.

One of the first decisions taken by the Tory party after its awful showing in Scotland was to beef up the party machine north of the border in an attempt to establish a broader activist base. Despite the efforts of Mr Malcolm Rifkind, the Scottish Secretary, and his team to demonstrate to an ungrateful Scotland that it is sharing in the nation's economic boom, their efforts have failed to make any significant impact.



Mrs Thatcher: No to devolution of political power

According to Mr John Curtice, lecturer in politics at Strathclyde University:" Although not as powerful an influence as the class divide, it seems as though there is now a regional cleavage in British politics. In other words, some people are deciding to vote Conservative or Labour not because of, for example, their social class or housing tenure, but because of the part of the country that they live in."

He points out that voters living north of the Humber-Mersey are consistently less optimistic about their prospects, in particular on issues like employment, inflation and their own standard of living. The relative weakness of the economy in the north, therefore, does appear to influence people's economic confidence and, in turn, shapes views on how the economy should be handled which are markedly different to those held in the south.

Those living in the economically less confident half of the country are, understandably, more likely to believe that there should be greater economic equality in society and apparently favour state action to bring it about.

Most Tory MPs continue reject the notion of any significant, geographical divide between the "haves" and the "have nots". They claim that the government's economic policies are working to the benefit of the whole nation and that, quite naturally, those area with the deepest problems will take longer to reap the benefits.

They point to basic economic indicators like the unemployment rate and emphasise that it is falling in all areas of the country, with some of the sharpest reductions recorded in northern regions.

Labour, together with the other opposition parties, remains totally unconvinced and claim that the government's only achievement has to been to deepen the regional divide.

They allege the government has no real regional policy aimed at stimulating investment and economic activity away from the south and claim it is content to concentrate resources in a way which helps consolidate its voting base,leaving the north - with little political clout - to look after itself. Market forces, they say, should not be left to render one region prosperous at the expense of another's bankruptcy.

The issue has helped revive the debate on the need to return political power to the regions, accompanied by fresh calls for devolution and the establishment of a network of locally-elected regional assemblies with powers to raise finance and preside over their own economies.

Mrs Thatcher will have none of it. Her government, she intones, was elected to serve all of the United Kingdom and that it was it will do. Whether it is as united as she supposes will remain a topic for angry debate.

Michael Cassell
Political Correspondent

Emphasis is on inner cities, enterprise and inward investment

Grants are more selective

MRS THATCHER'S distaste for intervention in the economy has resulted in the steady erosion of a Government policy, dating back to the 1930s, aimed at stimulating investment in the regions.

Critics calculate that regional assistance has been cut by around half since 1979.

The emphasis has shifted towards greater selectivity. There are also several other strands to the policy. The plight of the inner cities, which has been accentuated by the contraction in manufacturing employment and the continuing moves by industry out of urban areas, has moved up the political agenda.

Lord Young, Secretary of State for Trade and Industry, the department with responsibility for regional policy, has put more emphasis on stimulating the formation of small businesses in the regions and is encouraging the expansion of existing small to medium-sized companies.

Over the next few years, regional policy in the UK will be increasingly influenced by the European Community. The European Commission is determined that it should have a genuine European policy on the regions in the Community, rather than acting on the policies of individual governments. Brussels is concerned that the disadvantaged regions, often on the perimeter of the Community, should not suffer as a result of the completion of a single European market. Without more support, the benefits will drift to the central geographical core of the Community.

While Lord Young pursues the policy of fostering enterprise, he is as anxious as his predecessors to make sure that Britain attracts overseas investment. The importance of inward investment to the economy of the regions is demonstrated by Nissan, which is spending £390m on the first phase of the car plant in the Sunderland area of north east England. When completed, the investment will directly bring over 2,000 jobs. But it is also the means to boost management skills in the region, and create many more jobs in the components industry. The first phase will receive over £100m of Government grants.

Mr Peter Walker is similarly enthused with the impact of Japanese investment on the economy in Wales. More recently, he praised the decision by Ford to locate its £725m automotive engine plant at Bridgend. Inward investment is equally vigorously competed for elsewhere in the UK. Many factors weigh in a company's decision on where to locate a new plant. Relatively cheap labour in the UK, for instance, is an important consideration for West German companies. Several West German automotive component makers have set up recently in the UK.

Most companies are also looking for government financial assistance. Northern Ireland can offer the highest grants in the UK – up to 50 per cent of the capital cost of new plant is available. Elsewhere, it is most likely now to be between 10 and 20 per cent (the Nissan package included regional development grants, which are no longer available in Britain).

The grants regime started to tighten up in 1984. Job creation was made the priority – calling a halt to the situation where capital intensive manufacturers had been getting substantial assistance towards plants which had frequently resulted in fewer jobs – and assistance became more selective. This is now the only form of help extended to companies, which must prove that their planned projects would not take place if they were not assisted.

Government assistance in its various forms has been exceeding £500m a year and in the early 1980s was considerably higher. But, as payments on the automatic type of grant are phased out, it would be surprising if this figure did not fall despite assurances by the Government that "regional spending will be maintained".

Businessmen say that it is more difficult to get financial help, but ministers maintain that finance is available for worthy projects.

In the inner cities, incentives are increasingly targeted on encouraging developers to move into rundown urban areas. The main instrument in England is City Grant. Scotland, Wales and Northern Ireland have a slightly different system. The grant is calculated at a level to bridge the gap between the cost of a development and its value. Public finance is normally agreed at between one fifth and one quarter of the total cost, although this can be higher if the project is to be undertaken on a very difficult site. Housing, industrial and commercial developments are going ahead with City Grant. Big sites might well involve a mixed development.

Urban development corporations (UDCs) have proliferated from the original two in London Docklands and Merseyside. They now cover large areas of Manchester, Teesside, the Black Country, land on the banks of the Rivers Tyne and Wear, and Cardiff Bay. Plans to set up a development corporation in Belfast are proceeding. Smaller areas have been assigned in Sheffield, Leeds, and shortly Bristol. It all adds up to UDCs being a major part of the Government's urban policy.

The corporations have the power to acquire land and prepare sites for sale. They are also the planning authority (except in Cardiff Bay). As a means to accelerate development in run-down areas, it has worked well in London Docklands and, to a lesser extent, on Merseyside. In other areas, it is too early to reach a verdict. But London Docklands, by its very success, is producing problems. Substantial improvements in communications will have to be funded, part publicly, part by the developers. Increasingly, the Corporation is being drawn into playing a social role in the area.

Enterprise zones, some of them in the UDC areas, are the only locations where tax benefits are available to investors. Rates holidays are the other main incentive. Most of the zones around the country are moving in to the second half of their 10 year lives, reducing their attractions to investors. The final verdict on the contribution of enterprise zones to urban renewal will probably be positive. Nevertheless, the Government has decided not to extend what was introduced as an experiment.

There are two exceptions. An enterprise zone has been set up in Inverclyde in Scotland, where the shipyard owned by Trafalgar House has been mothballed. In Sunderland, Mr Tony Newton, Trade and Industry minister, won permission late last year for an enterprise zone to be designated in the wake of the closure of North East Shipbuilders.

Hazel Duffy

What's available

European Social Fund
Financial assistance to support the cost of vocational training and job creation schemes. The Fund publishes management guidelines each year under which assistance is directed towards certain priority training schemes linked to particular groups, for instance, long-term unemployed.

Regional Selective Assistance
A grant (on very rare occasions a soft loan) related to industrial and commercial projects which bring an identifiable regional and national benefit and create or safeguard employment in the assisted areas. Grants are normally related to the fixed capital costs of a project and to the number of jobs created, normally within three years of its start. It must be shown that the project would not take place on the basis proposed without assistance, which will be the minimum necessary for the project to go ahead on that basis.

City Grant Support for capital investment projects which benefit rundown urban areas in England. They must provide jobs, private housing and other benefits, exceed £200,000 in value and require public assistance to proceed. Loans may be available.

Specialist grants are available for promoting tourism, and the European Community has funds to assist investment in the marketing and processing of agricultural products. There are a host of other grants available to companies, but Binder Hamlyn Regional Development, which publishes Government Help for your Business, names the above as most likely to make useful sums of money available.

HD

HOUSING

Gap narrows very little

NOWHERE is the divide between the economies of northern and southern Britain more visible than in the wide gap between house prices in different parts of the country.

The high cost of houses in south east England is a major obstacle to job recruitment. Employers in very few cases can offer sufficiently large salaries to compensate employees for the higher cost of houses in the region.

The lack of an adequate private rented housing sector in Britain, as well as long waiting lists for council housing, makes it even more difficult for skilled workers who want to move to the South-East where there are better job opportunities. This places a strain on companies which need to pay even higher wages to attract workers.

It should be no surprise, therefore, that some companies have been considering locating away from the South-East and have been concentrating their expansion in areas where wage costs are lower.

The decision announced this month by Mr John Moore, Social Security Secretary, to move more than 1,000 social security jobs out of London reflects the major problems faced by employers competing for staff in the South-East.

Mr Moore, explaining his decision, said: "Fierce competition for staff and premises has resulted in high staff wastage and deteriorating working conditions."

Moves such as this seem unlikely, however, to lead to a significant realignment in regional economies. For every company looking to expand outside the South-East there appears to be at least another new business setting up in the region.

A study published this month by Cambridge Econometrics, a forecasting group, and Northern Ireland Economic Research Centre, said the north/south economic divide would remain to the end of the century, with northern regions continuing to languish by comparison.

It said labour shortages and congestion in the South-East would encourage more investment in neighbouring regions but was unlikely to benefit more distant regions, with the exception of Wales.

"The future is expected to resemble the 1950s when the peripheral regions languished more than in the 1960s and 1970s when strong regional policy measures brought a revival to the peripheral," said the forecasts which concluded the Midlands was likely to enjoy the fastest rate of economic growth during the next decade.

The economic spillover from south east England has already left its mark on the housing market. Last year house prices in regions adjoining the South-East soared as commuters seeking pleasanter surroundings, and unable to afford prices in London, moved out even further from the capital.

The introduction this month of much higher, longer-distance-commuter rail fares will have removed some of the advantage of lower-cost housing further away from London. Fares from cities and towns like Grantham, Peterborough, Oxford, Weymouth and Bournemouth have gone up on average by 21 per cent, affecting 15,000 daily commuters.

According to the Halifax, Britain's biggest building society, house prices in Greater London rose, on average, by 23 per cent last year. This compared, said the Society, with price rises of 47 per cent in East Anglia; 60 per cent in the West Midlands; 54 per cent in the East Midlands; and 48 per cent in south west England.

In the north of England prices rose by 19 per cent; in Scotland by 14 per cent; and in Northern Ireland by 8 per cent.

The pace at which prices have been rising, however, has altered materially during the last few months as interest rates have risen. In the south, price are barely moving and in parts of London have fallen.

In the north of England, however, prices are still rising fairly sharply but are expected to slow later this year. This forecast is based on the premiss that what happens in London today occurs in the provinces tomorrow.

The gap between average house prices from one region to another seems unlikely to narrow greatly. This is despite the fact that prices are currently rising faster in the north.

According to the Halifax Building Society an average priced house in northern England at the end of last year would have cost £36,103, compared with £99,618 in Greater London, and £83,063 in East Anglia. In Scotland the same house would cost £43,757, in Wales £44,252, and in Yorkshire and Humberside £41,524.

It would be wrong to assume that there are no areas of high house prices in the North. Places like Harrogate in north Yorkshire and large parts of Cheshire command premium prices matching those of many desirable market towns and cities in southern Britain.

The general run of housing, however, is far cheaper, allowing home owners to get much more for their money than those in the south. This may be one reason why a recent survey of company executives found that those in the North claimed to have a more comfortable lifestyle than their higher-salaried counterparts in the South.

Staff, however, may be reluctant to move to other regions. Those moving north fear that when the time comes to return south the profits from the sale of their northern home will not be enough to afford to buy back into the market.

Those moving south complain they will have to take a cut in their standard of housing, despite higher salaries.

A survey by the Confederation of British Industry of 200 companies in south east England last summer showed almost 60 per cent of them had major problems recruiting labour because of high house prices and a shortage of low-cost rented accommodation.

Despite this, more than half the companies surveyed, in Sussex, Surrey and Kent, planned to increase their workforce significantly during the next two years.

One large Kentish company said high house prices had meant that staff from the north "had invariably been forced home to rejoin the dole queues" despite generous incentives offered by the company. A few firms said they were considering offering company housing as an expensive but necessary aid to recruitment.

Mr Brian Street, chairman of the south eastern regional council of the CBI said: "Many firms in the region believe there is no alternative to the release of more land for housing if the productive effort of local companies is not to be constrained."

These pressures will not be lessened by all the development and business opportunities which are likely to arise as a result of the construction of the Channel tunnel and the development of improved transport links to the tunnel which is due to open in Spring 1993.

Andrew Taylor

THE HOUSE PRICE DIVIDE

Region	Average price	Annual % rise 1988
Greater London	£99,618	22.3
South East	£90,477	32.4
East Anglia	£83,063	47.4
South West	£73,715	48.3
East Midlands	£55,378	53.9
West Midlands	£60,004	60.4
Yorkshire & Humberside	£41,524	40.4
North West	£42,518	27
North	£36,103	19.6
Scotland	£43,757	14.3
Wales	£44,252	46.3
Northern Ireland	£34,385	7.8

Source: Halifax Building Society

One large Kentish company said high house prices had meant that staff from the north "had invariably been forced home to rejoin the dole queues" despite generous incentives offered by the company. A few firms said they were considering offering company housing

TransPennine route to northern growth

THE NORTH is redefining itself. This month a new organisation called TransPennine launched an action plan for 1989, appointed its first officers and announced a seminar at Bradford University in May to work out how the North can promote itself with one voice.

The chairman is Mr Justin Kornberg, the head of Lister, the Bradford textile company. TransPennine was his idea. He used to call it the M62 Club. He defines TransPennine as a new region running from Liverpool to Hull along the M62 and taking in all major conurbations within 25 miles on either side.

Mr Chris Haskins, the chairman of Northern Foods, is its vice-chairman. Mr David Fletcher, a former Manchester Polytechnic lecturer who now chairs Pennine Heritage, has been appointed executive director.

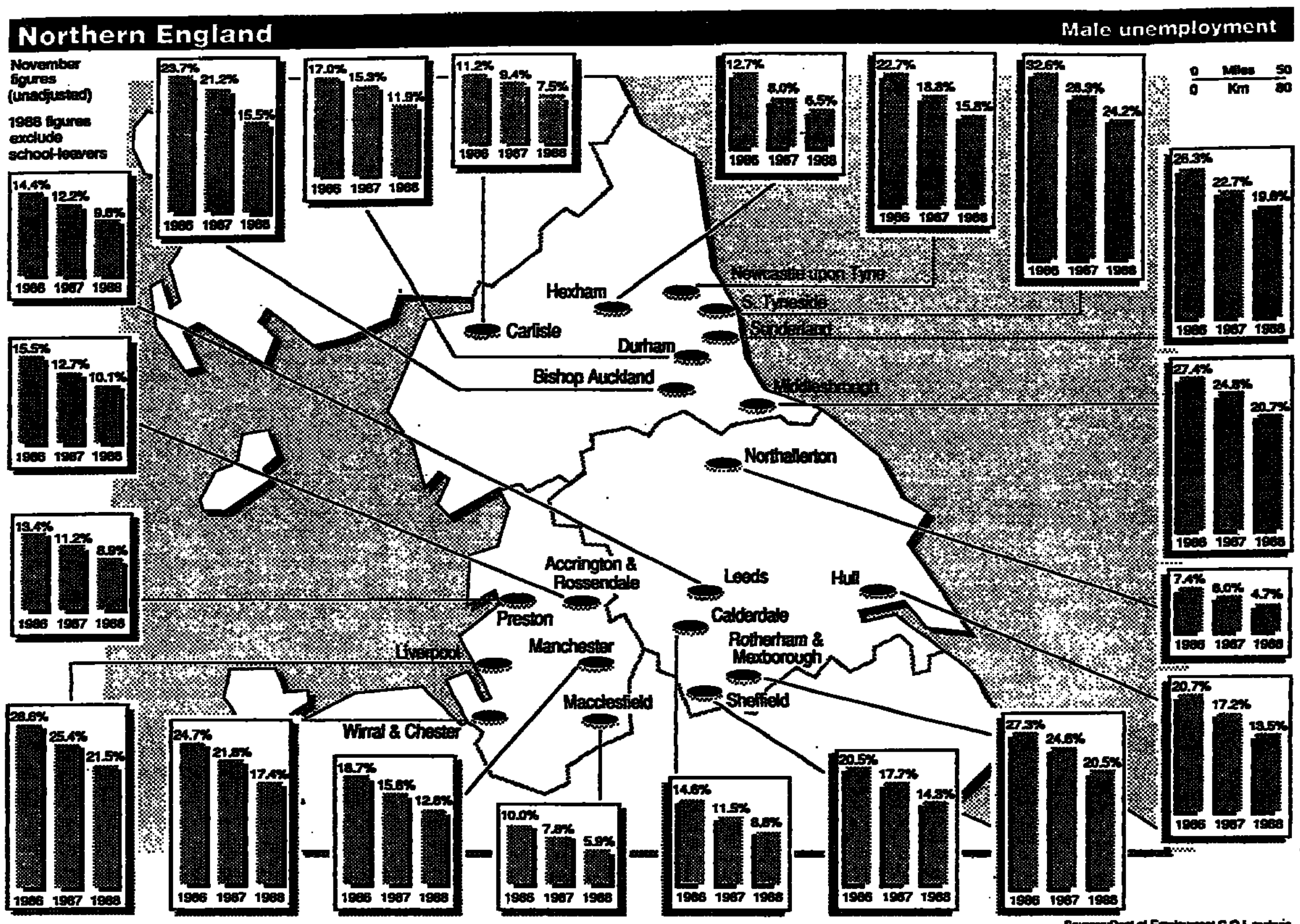
The headquarters are in Hebden Bridge, in the middle of the Pennines in West Yorkshire, a few miles from the county border with Greater Manchester. There is also heavyweight support from the private sector, including Barclays, Grand Metropolitan, Laporte, Nabisco, NatWest, Pilkington, RHM, Rowntree, the Royal Bank of Scotland, Tesco, TSB, Unigate, Unilever, and Yorkshire Bank.

Less than 20 years ago, few believed that a road could make so much difference, but it has. The M62 established an all-weather road across the Pennines for the first time, firmly linking the fundamentally strong economies of Greater Manchester and West Yorkshire and putting their regional capital cities, Manchester and Leeds, now only 40 minutes from each other.

Each city has witnessed a marked growth in its professional and financial services in the past few years, with thousands of new jobs created. This is a sign of something afoot: banks, merchant banks, venture capital funds, accountancy practices, entrepreneurial solicitors and associated activities do not appear unless there is a market to service.

A major geographical boundary – the Pennines themselves – has been all but eliminated. Yet the fact that the Pennines are still a boundary for administrative and statistical purposes means that the figures by which we analyse what is going on in the northern economy no longer truly reflect what is happening and why.

A closer look shows that British economic recovery has not been rippling north and west in an even fashion. There is substantial restructuring of local economies, but across traditional boundaries. The effect is to make the overall position in parts of the north look better than it really is.



The Government divides the north into three economic regions – the North-West, Yorkshire and Humberside, and the "standard North," which consists of the North-East and Cumbria, although, confusingly, the Manchester offices of at least two Government departments claim Cumbria as theirs.

That aside, the three regions house nearly 15m people, with the North-West the biggest – home for more than 6.5m – and Yorkshire and Humberside containing nearly 5m others.

Two of the great engines of the UK economy are there. The North-West produces 11 per cent of Gross Domestic Product and Yorkshire and Humberside 9 per cent. The "standard North," which contributes only 5 per cent, is the least able to stand on its own feet.

As a new region, TransPennine would therefore account for one-fifth of the UK economy, making it twice as big economically as the whole of Greece. More importantly, it would help pull together even more strongly the two hearts of the re-emergent north – Greater Manchester and West Yorkshire.

Research in the North-West by 3i, the venture capital group, has shown that entrepreneurship flourishes where there are lots of medium-sized, usually privately-owned businesses where people can learn problem-solving skills and then branch out on their own.

This in turn suggests that economic recovery should be fastest and deepest where the local economy is most broadly based, where the mix of large, medium-sized and small businesses is a well-balanced pyramid and where there is a spread of industries, commerce and services across several sectors.

In the north this is along a broad M62 corridor between the M6 and A1. Merchant banks in Manchester and Leeds are fighting for a huge corporate market in this corridor, where, they say, there are hundreds of medium-sized, privately-owned companies, each turning over up to £7m a year and making around £750,000 in pretax profits.

The number of quoted companies in the area – according to Henry Cooke, the Manchester-based financial services group, there are 215 based in Greater Manchester's hinterland – is further support for 3i's hypothesis of business formation, company development and economic growth; flotation is one way that entrepreneurs past and present can realise their growing capital.

According to the Huddersfield-based BWD financial services group, the Yorkshire and Humberside region houses the registered offices of 136 quoted companies. West Yorkshire has 81 of them, compared with 26 in South Yorkshire, 15 in North Yorkshire and 12 in Humberside. Excluding North Yorkshire, which is a special case because of its sparse population, South Yorkshire and Humberside prove the point.

Their economies have been based narrowly on industries such as coal and steel, or fishing and ship repair, or dominated by large employers or capital intensive industries such as chemicals, where few workers are needed and entrepreneurial skills are not required among most of them.

The North-East adds more weight to the argument. Again coal, steel and chemicals have been big employers, along with shipbuilding and heavy engineering. There are only 29 quoted companies headquartered there. On Teesside the figure is two.

The proliferation of locally-based venture capital funds – there are 14 in Yorkshire, mainly in Leeds, compared with only one six years ago – shows where the financial services industry thinks most future flotations and the best pickings are going to be.

The picture thus emerging is of an increasingly prosperous inner core straddling the Pennines along the M62, while the more narrowly-based economies of Merseyside, Humberside, South Yorkshire, Teesside and Tyneside all lag behind.

This is not to say that things are not considerably better than they were in these places. All of their retailers had a very happy trading Christmas. Mortgage rate rises are hardly a factor when housing prices are minuscule in southern terms.

What new industry there is is doing well – as are the slimmed down survivors of old industry. But doing better is the high technology industry which is relocating alongside established survivors in the desirable rural or semi-rural areas of Cumbria, east Cheshire around Manchester Airport, and the market towns of North Yorkshire and Northumberland.

The picture is of uneven success across the North as a whole. It is illustrated most clearly by male unemployment rates. Last November's – issued in December and the latest available at the time of writing – show the North-West's overall rate was 10 per cent, Yorkshire and Humberside 8.8 per cent, and the "standard North" 11.5 per cent.

These look a reasonable improvement over recent years, but they are misleading because they include very low rates of unemployment among women. Not only are these likely to be an imprecise record of female unemployment – the rules do not allow many married women to register – but in many places with high male unemployment the low rates among women reflect substantial part-time feminisation of the workforce in sectors such as retail services or light manufacturing.

Male unemployment rates measure the success of restructuring where thousands of men's jobs have been lost in recession or redundancy in old industries because of technology – as in, say, steel or glass-making – or changing patterns of world trade, or both, as in Liverpool docks.

Male unemployment in the Liverpool travel-to-work area in the November statistics was 21.5 per cent. The second-worst rate in the North-West was the rest of Merseyside, disguised as Wirral and Chester, where the figure was 17.4 per cent. The comparable figure for the larger Manchester area was 12.6 per cent.

Rotherham and Mexborough, hit by both coal and steel closures, had Yorkshire and Humberside's worst male rate of 20.5 per cent. The neighbouring South Yorkshire areas of Barnsley and Doncaster were at 18.3 and 17.6 per cent respectively.

West Yorkshire travel-to-work areas were substantially better, with percentage rates of 8.8 in Calderdale (Halifax), 9.6 in Leeds, 9.2 in Huddersfield and 11.7 in Bradford. The figures were 13-plus per cent in both Hull and Grimsby, but down to 12 per cent in Scunthorpe, where massive effort has been concentrated into offsetting steel closures.

The contrast is with places in North Yorkshire like Harrogate (4.9), Northallerton (4.7) and Skipton (5.5).

A similar pattern in the "standard North" shows Sunderland with 19.6 per cent male unemployment before the closure of its last remaining shipyards last month. Only the highly attractive Northumberland market towns of Hexham and Berwick-on-Tweed had rates in single figures. Hartlepool and Middlesbrough were both over 20 per cent.

People are voting with their feet. Merseyside lost 2.1 per cent of its population in 1981-84 and 2.3 per cent in 1984-87, a loss of nearly 11,000 people a year. Only 8 per cent of the change was due to natural causes.

In Cheshire, in contrast, only in Ellesmere Port and Neston, the area bordering Merseyside, did the population fall in the latter three-year period. Most of Greater Manchester's outer boroughs are now showing gains.

In West Yorkshire, the population of Calderdale, home of fast-growing companies like the Spring Ram home improvements group and the thriving Dean Clough industrial Park – which was converted from 1m sq ft of redundant carpet mill, creating more than 3,000 jobs in expanding companies – population rose by 1.9 per cent while unemployment fell rapidly.

This then is the pattern in the North – an emergent divide between the TransPennine centre and a horseshoe-shaped periphery arching from Liverpool to Hull via Tyneside and Teesside.

Ian Hamilton Fazey

N.Ireland's twin targets

OFFICIAL Government figures show that people in Northern Ireland are as concerned about unemployment as they are about terrorism.

Statistics released by the Policy Planning and Research Unit (PPRU) in Belfast last month support the view that the community regards the battle for jobs and prosperity as important as security initiatives or efforts to make political progress.

Genuine concern over the future of two of the province's biggest employers, Harland and Wolff, the Belfast shipbuilder, and Short Brothers, the aircraft and missiles manufacturer led to a mass demonstration recently in Belfast.

The Government insists that privatisation offers the best long term hope for the future but that view is not shared by the 11,000 employed by the two companies. Privatisation has produced talk of British "economic withdrawal", an allegation denied by the Government which has maintained a high level of public spending in the province.

Public expenditure amounts to around 70 per cent of the province's Gross Domestic Product and more than 40 per cent of employment. While present levels of spending are likely to continue the Government has made it clear that Northern Ireland will not be set apart from general economic policy.

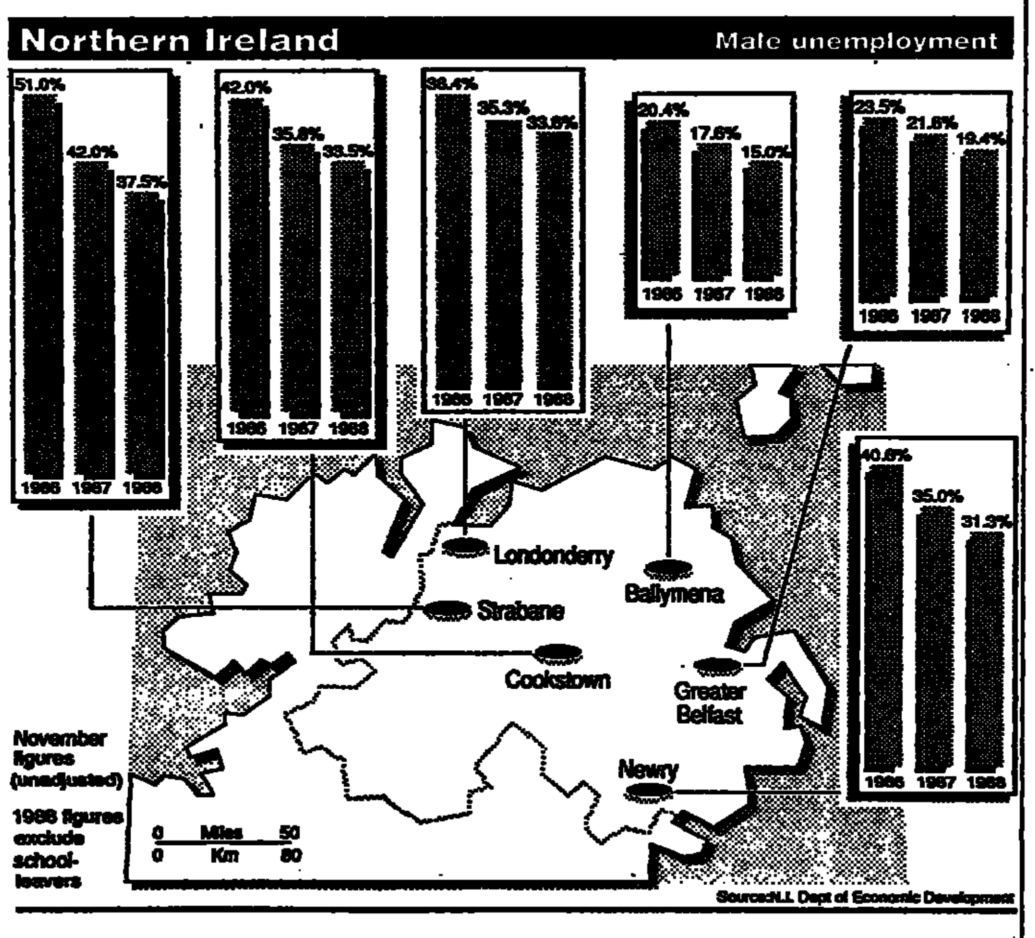
A banking "task force", set up under the auspices of the Government's Pathfinder initiative aimed at building a stronger economy, has investigated ways in which public funds may be "crowding out" the private sector.

While many private sector projects are heavily dependent on Government assistance, the long-term objective is to encourage higher levels of private investment.

Two recent investments, which will create hundreds of jobs in unemployment blackspots, suggest that Northern Ireland has a lot to offer potential business customers.

Montupet, the French car components company, is creating 1,000 manufacturing jobs in a £90m investment at the former John De Lorean car plant in west Belfast, and South Korea's Daewoo Electronics group is creating another 500 jobs in an £18m video recorder factory at Antrim.

Both projects were secured with the help of substantial Government finance and arrived at a time of steadily falling unemployment in the province.



Although the underlying trend of unemployment is down, at around 15.7 per cent the province still has the highest unemployment rate in the UK with some areas among the worst in western Europe.

Cookstown in Co Tyrone topped the unemployment league in November with a rate of 29.5 per cent, followed by Strabane with 28.6 per cent and Newry and Mourne with 25.8 per cent. In contrast the greater Belfast area which includes several satellite towns had an unemployment rate of 15.3 per cent and Ballymena had 11.7 per cent.

The Government has earmarked £242m for industrial development and related support services next year and estimates that its plan will create more jobs.

Announcing public expenditure of £5.5bn in the province next year, Mr Tom King, Northern Ireland Secretary, said recent investments and prospects for UK industry as a whole suggested the province was poised to reap the benefit of higher levels of investment and a higher level of new jobs than before.

But in spite of Government optimism about investment, economic surveys have not been encouraging. A report published by the Northern Ireland Economic Research Centre this month suggests that the province's economy will grow slower than the national average and unemployment will rise to 19 per cent. And unlike other regions, Northern Ireland's population will continue to rise, the report adds.

Dr Gudgin, the report's editor, states: "Although congestion and labour shortages in the South-East (of England) will lead to decentralisation of economic activity to neighbouring regions, there is little sign that this process will be strong enough to benefit peripheral regions like Northern Ireland."

The Allied Irish Bank's recent economic review said that given the reliance on Government funding, the medium term outlook was dependent on public expenditure plans, agricultural output, investment and job creation.

The region's unemployment problems conceal a story of relative prosperity for Ulster people earning salaries in line with the national average. Cheaper housing – £35,000 will secure a well appointed semi-detached house in a desirable area – has enabled many Northern Ireland families to enjoy higher than average disposable incomes.

Belfast city centre was bustling during December and some High Street retailers were reporting higher than average takings in the post-Christmas sales. A leading Belfast estate agent said recently that some Ulster people who had moved to Britain in search of higher living standards had returned because "they realised they had a better chance of a higher living standard at home.

By Our Belfast Correspondent

Wales: an east-west divide

GIVEN ITS position on the "wrong" side of the Humber-Severn line, there has been remarkable optimism, bordering in some circles on euphoria, over the economic prospects for Wales.

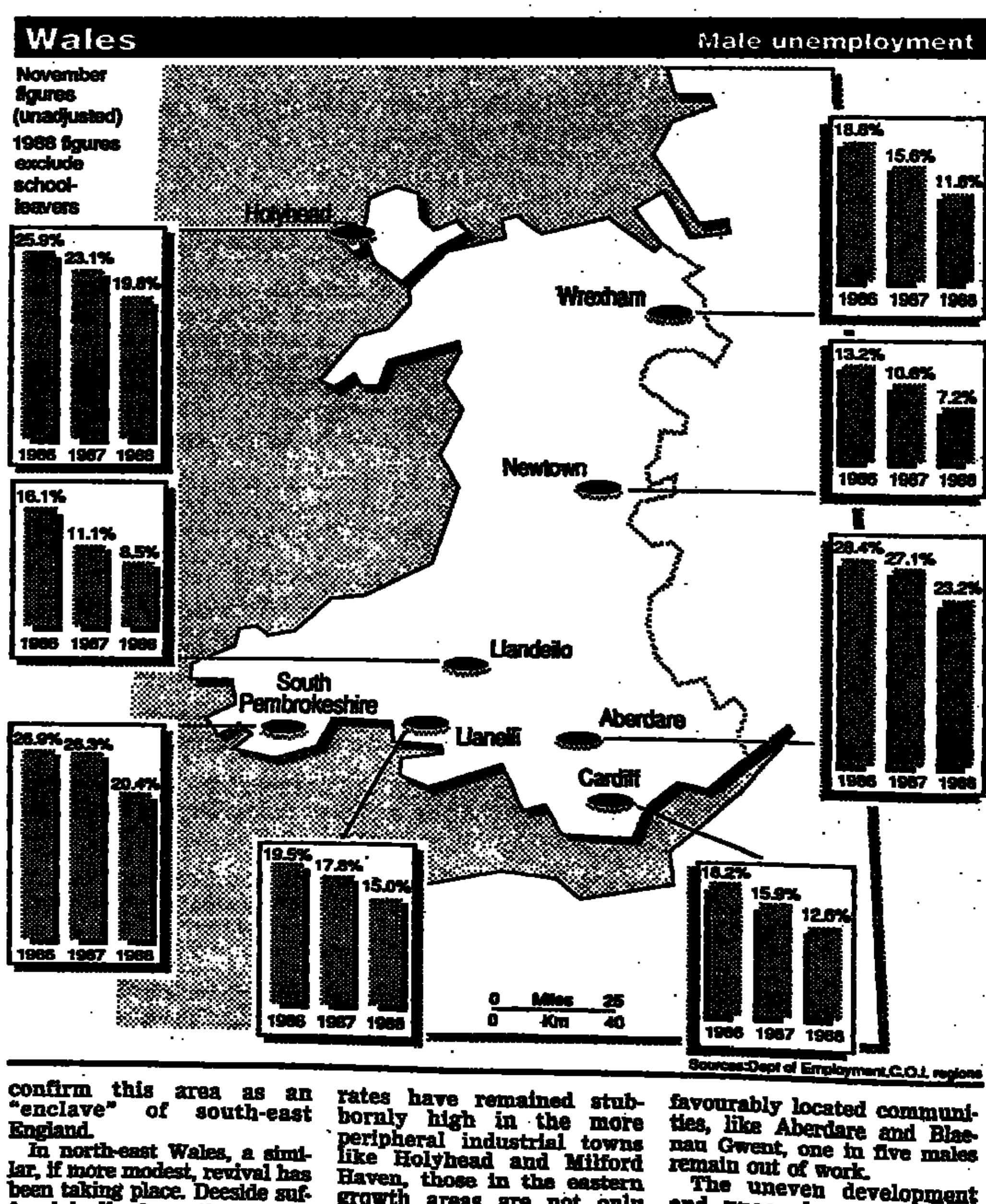
The Secretary of State for Wales, the development agencies and employers' organisations talk enthusiastically of an economy "on the move". Even Cambridge Econometrics, in its recent survey of regional prospects concluded that, of the peripheral regions, Wales is the one likely to fare least badly over the next decade.

It is not difficult to find reasons for this optimism. Manufacturing output has grown by 15 per cent since 1982; construction activity, a leading indicator, has increased by 30 per cent in the past two years; and unemployment, which exceeded 17 per cent in 1986 currently stands at 9.8 per cent. But the improvements are patchy. On closer examination the recovery appears uneven and fragile.

The most encouraging feature of the decade has been the persistent growth of manufacturing. Electrical engineering has done particularly well, output having expanded by 30 per cent since 1982. This partly reflects Wales' remarkable success in attracting Japanese and other foreign companies, which are well represented in this sector, and partly a strong and indigenous presence in the form of the AB Electronic Products Group.

The electronics industry, however, illustrates clearly the geographical unevenness of growth: a high concentration of new developments is within a few miles of the eastern half of Wales' section of the M4. Indeed, growth performance generally seems to decline along an east-west gradient in south, north and mid-Wales. Proximity to Offa's Dyke and to major lines of communication to neighbouring English centres of population are major characteristics of the more successful areas.

The most successful sub-region is the 40-mile coastal strip centred on Cardiff which includes South Glamorgan, south-east Gwent and the southern edge of Mid Glamorgan. Here, Intermediate Area status and proximity to London have proved a big attraction. Major construction projects being mooted, like the second Severn bridge, the Cardiff docklands redevelopment and the Severn barrage could confirm this area as an "enclave" of south-east England.



In north-east Wales, a similar, if more modest, revival has been taking place. Deeside suffered badly from the partial closure of Shotton steelworks in 1980 which involved some 8,000 redundancies. Since then the availability of labour and sites, plus attractive financial incentives, and the area's proximity to large centres of population, have led to a reversal of fortunes. In central Wales, the strategy of Mid-Wales Development has also been to concentrate efforts close to the border, with Newtown the chosen growth pole.

Wales' east-west divide is illustrated most clearly by the unemployment trends. Whereas male unemployment rates have remained stubbornly high in the more peripheral industrial towns like Holyhead and Milford Haven, those in the eastern growth areas are not only lower but have also shown a greater response to the general improvement in the economy.

The east-west polarisation is overlain in the south by the uniform weakness of the industrial valleys which stretch from Dyfed to Gwent. The southern fringes of the valleys, close to the M4, are able to boast some successes in attracting new industry but these gains have been overwhelmed by the scale of contraction in coal and steel. Some 14,000 jobs have been lost in deep-mining since the end of the coal strike and further closures are planned. In less favourably located communities, like Aberdare and Blaenau Gwent, one in five males remain out of work.

The uneven development and unequal prospects are reflected in population movements within Wales. Between 1981 and 1987, 3,300 people moved into South Glamorgan (2,200 in 1986-87 alone) whereas 12,600 left Mid Glamorgan. Within that county there was a substantial shift from the northern valleys to the south. While nearly 5,000 left the Rhondda, the same number came to Ogwr (centred on Bridgend). In Gwent, 7,200 people left Newport and 2,400 left Blaenau Gwent, both hard hit by steel redundancies, whereas neighbouring Monmouth district (which includes the Sev-

Continued on next page

Southern England: pressures of success

AN OPTIMISTIC view of the problems of overdevelopment in the south-east of England was taken by Mr Nicholas Ridley, the Environment Secretary, when he addressed the National Housing and Town Planning Conference recently.

He said that as a result of the steep rise in house prices in the South-East, people and companies were now beginning to leave the region and move back to the north and other areas where house prices are lower.

"What is important is that these movements are voluntary," he declared. "The Government is not in the business of ordering firms where to locate and people where to live."

But despite this view of events the controversy over overcrowding and building pressures in the South-East is likely to be with us well into the next century. Mr Ridley's critics, including environmentalists, planners and even some MPs in his own party, believe that Mr Ridley, a leading exponent of the free market, has down-graded the concept of regional planning and is allowing piecemeal development in the countryside and small towns and villages.

The problems in the South-East have been exacerbated by the rapid economic growth of recent years which has attracted financial services and high-tech industries particularly along the M4 corridor in Berkshire.

The demand for new housing – and consequent pressure on the available land – has been compounded by social factors such as the growth in the number of one parent households.

There are also the pressures that will result from major developments such as the Channel Tunnel and its effect on Kent and the expansion of Stansted airport in Essex.

In addition Mr Ridley is having to deal with a spate of new proposals for large out-of-town shopping centres. Currently he is considering planning appeals from developers for a series of such shopping centres in the green belt adjoining the M25 London orbital motorway.

Another controversy involves proposals for the construction of several new "country towns" which are currently in the planning pipeline. These schemes, being promoted by big groups such as Consortium Developments, would result in self-contained settlements of several thousand houses on rural sites. The developers would build and finance much of the infrastructure.

The advocates of country towns argue that they are a better alternative to the haphazard development that has met such strong opposition from local residents in the countryside. Although there is undoubtedly some migration from the South-East recent figures suggest that this will not result in a net fall in population in the region. A study* by Cambridge Econometrics and the Northern Ireland Economic Research Centre concluded that persistent unemployment differentials will continue to cause strong migration from north to south of about 700,000 people of working age by the year 2,000.

A continued need for increased housing is also foreseen by SERPLAN (The London and South East Regional Planning Conference) which represents local authorities in the region and advises Mr Ridley on planning strategy. It has agreed with him proposals for 570,000 new dwellings in the South-East between 1991 and the year 2001 – 175,000 in London and 395,000 for the remainder of the region. A county breakdown of these figures has been proposed by SERPLAN and is now under consideration by Mr Ridley. (See table).

Serplan has also proposed a strategy to ease the effects of overcrowding in the boom areas in the west of the region. It envisages a shift of economic development from the economically buoyant counties of Berkshire, Buckingham,Hertfordshire and Surrey towards the less well-off areas of Kent, Essex and East Sussex. Development of derelict land along the Thames in Essex and Kent - the Thames corridor - is an important element in this proposal.

Mr Ridley will also be responding shortly to draft guidance on the future development of London which has been submitted by the London Planning Advisory Committee (LPAC), the organisation of local authorities which advises him on planning matters following the demise of the Greater London Council.

In a strategy which is similar to SERPLAN'S it wants the emphasis on economic growth switched from the prosperous west of London to the East End. It also calls for a large package of public investment for improvements in infrastructure, particularly in public transport.

Mr Ridley says the Government is wrongly accused of having no regional policy to solve the problems of the South-East. "We do have one, but not of the old sort." He explains that while homes and business property have become expensive and in short supply in the south, the Government has spent money to open up inner city and derelict land in the north and west where its inner city programme has made sites relatively cheap.

Mr Ridley also believes that a further cost incentive to move to the north will be provided by the new national non-domestic rate whic will be applied uniformly to businesses across the country.

He boasts, quite rightly, that the Government has protected the statutory green belts that ring London and other cities to prevent them sprawling into the countryside. But this begs the question. It is the sheer scale of development in rural areas outside the green belt that has so alarmed his critics. As a result of this, he now faces opposition from about 100 Conservative MPs who are members of the Sane Planning group.

Planning policy is laid down by the Environment Secretary in a series of guidance notes to local authorities. But environmentalists complain that these give too much weight to the need for economic development in the South-East at the expense of conservation.

They take particular exception to a passage which states: "It is not our policy to discourage development and economic growth in the South-East in the hope that it will transfer to other areas, for in that way we risk losing it altogether."

Mr Ridley is expected to publish a White Paper shortly proposing reform of the planning system. This will be embodied in a Bill to be announced in the Queen's Speech for the next session of Parliament in the autumn.

It will follow the lines of an earlier consultative Green Paper which proposed the abolition of abolish structure plans which are drawn up by county councils. These provide the strategic framework within which district councils formulate their local development plans.

Under the new legislation the onus will be placed on these local plans. The Government's critics complain that this means the virtual abandonment of any overall planning strategy.

However, as a result of pressure from environmentalists and many planners, the Government is now considering modifying these proposals by appointing regional planning bodies throughout the country. These would be groupings of local authorities along the lines of SERPLAN and would offer planning advice to the Environment Secretary.

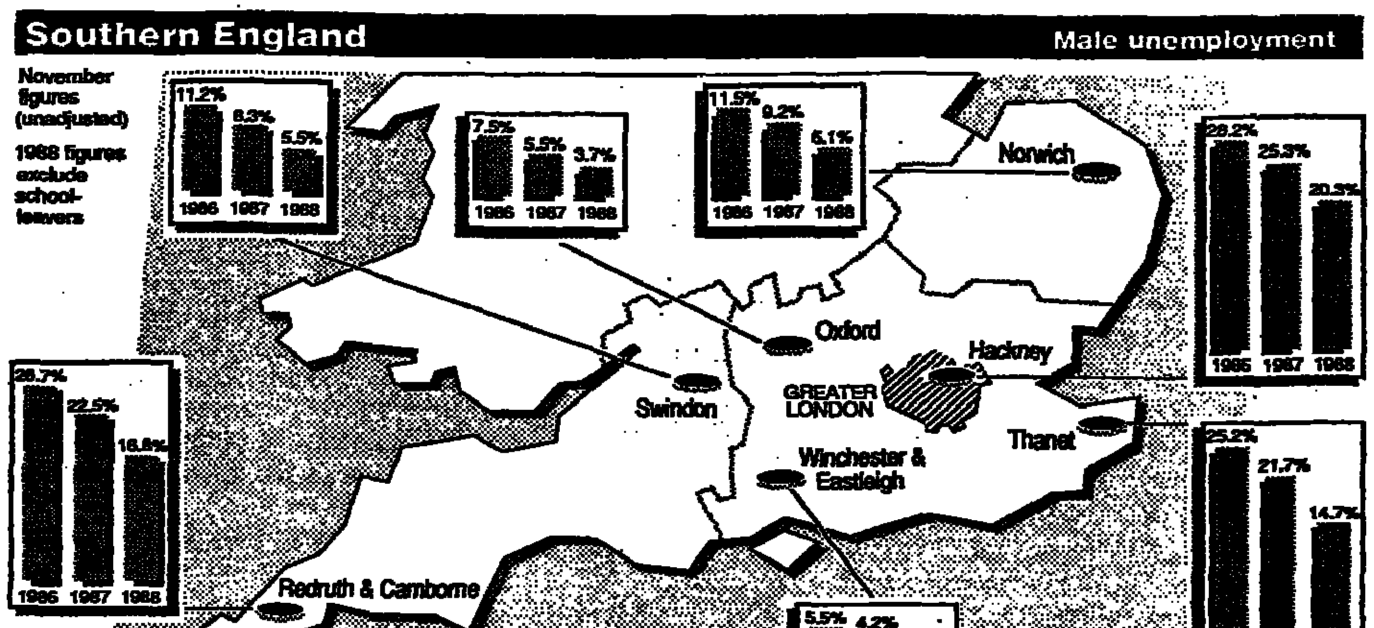
East Anglia, the most sparsely populated region in England, has also been the fastest growing in the 1980s. Its proximity to London and the South East, good quality environment, improving communications, and a core of high technology growth companies, particularly around Cambridge – where the links between the university and manufacturing have been highly productive – combine to make this one of the regions where expansion looks set to continue.

Although East Anglia still has areas which offer a highly competitive cost structure to incoming manufacturing and service companies, there are pressure points. House prices have been going up fast. Restrictions on planning will need to be lifted. The level of demand for labour points to wages rising in a region where wages have been traditionally low. Labour shortages could emerge unless migration into the region increases.

The South West similarly enjoys considerable environmental advantages. Electronics manufacturing in Plymouth and the Bournemouth-Poole area, and financial services in Bristol, have located in these areas from other parts of the UK, and overseas, because of the quality of life that they offer. For instance, when Lloyds Bank decided a couple of years ago to re-locate some head office functions, it settled on Bristol both because it was sufficiently large to provide a pool of labour, and attractive enough for senior managers to agree to move there.

Small, high technology, companies are scattered around the region for the simple reason that their founders wanted to live there. The population of the region is growing due to migration into the area. Many are of retirement age, but the

Continued on Page 6



New Housing in South-East 1991-2001

county	No. of dwellings
Bedfordshire	20,000
Berkshire	29,500
Buckinghamshire	32,000
East Sussex	22,000
Essex	53,000
Hampshire	66,500
Hertfordshire	34,500
Isle of Wight	5,000
Kent	55,000
Oxfordshire	23,000
Surrey	26,000
West Sussex	28,000
Greater London	175,000
TOTAL	570,000

SERPLAN's proposed distribution, rounded up to the nearest thousand, for new building in the South-East, between 1991 and the year 2001.

Midlands' internal variations

IT WOULD be natural to suppose that plans for a high-technology business park that could eventually create 12,000 jobs might be welcome in a region like the West Midlands, where male unemployment is over 12 per cent.

Not so. Arlington Securities, the developer that wants to build the £100m park next to the M42 at Portway in Warwickshire, has run into angry opposition.

The trouble is that unemployment is not a problem in Warwickshire. Male unemployment in the county town's travel-to-work area is a mere 4.7 per cent and people in the surrounding villages are more interested in preserving rural tranquility than they are in unemployment.

"We don't need industrial sites," says Mrs Shirley Brown, chairman of the Forest of Arden Action Group. "People around here are employed: we just don't need the jobs."

The story illustrates how the divide between north and south has moved up into the Midlands. Companies wanting to move out of the overheated South-East – particularly those in the service sector – have looked for the next leafy location northwards and discovered Warwickshire in the West Midlands and Northamptonshire in the East.

These two counties are now virtually extensions of the South-East, with property prices, unemployment and levels of prosperity to match. Even Corby, devastated by the closure of its steel works at the beginning of the decade, has seen male unemployment fall to 8.1 per cent.

But if the north-south divide has moved, it is still not clear precisely where the boundary lies: for there is more to the distribution of wealth in the Midlands than a simple geographical split.

Take Birmingham itself, the capital of the West Midlands industrial heartland. Even within the boundaries of this comparatively small and cohesive conurbation, there are wide variations of prosperity and squalor.

The first-time visitor, for example, might emerge from New Street station and think he was in Boom City as he gazed upon the £1.25bn worth of redevelopment going on around him.

To an extent, he would be right. The industrial recovery of the region combined with the construction in central Birmingham of Britain's biggest convention centre has sparked a wave of investment in offices, shops and hotels that is changing the face of the city's central area.

The same impression is conveyed by house prices that last year were among Britain's fastest rising, office rents hitting the £14 a sq ft mark for prime sites, and indicators of corporate activity such as Britain's second highest rate of stock market flotations last year after the South-East.

But the feeling of prosperity is easily dispelled. The visitor would not have to walk many hundreds of yards in almost any direction from Birmingham city centre to find himself amid depressing scenes of urban deprivation.

Nearly all the inner city wards – Aston, Handsworth, Ladywood, Nechells, Soho and Sparkbrook – have male unemployment rates of 30 per cent or more.

The reason is simple. Twenty years ago, Birmingham was still the manufacturing capital of Britain and its factory workers were the country's highest paid. But in the 16 years from 1971, as British industry's international competitiveness waned and recession began to set in, no less than 144,000 of Birmingham's 304,000 manufacturing jobs disappeared.

Today, Birmingham has nailed its colours to the service sector mast and is trying to turn itself into an international business city with its National Exhibition Centre and International Convention Centre. Service sector employment rose from 289,000 to an estimated 316,000 between 1984 and 1987, and is undoubtedly higher now.

But most of the jobs created are not filled by the inner city's former factory workers and large ethnic minority population. Instead they go to the white-collar workers living in the leafier suburbs of Sutton Coldfield or Solihull, where unemployment is down to around 5 per cent: or else to part-timers, school-leavers, and women returning to the workforce.

The relentless drive towards greater productivity, meanwhile, means that the number of manufacturing jobs continues to fall, and male unemployment within the boundaries of the city itself – as distinct from the travel-to-work area – remains stubbornly high at a grim 17 per cent.

In this respect Birmingham is a microcosm of the Midlands. The prosperity of much of the region was founded upon the old metal-bashing industries that sprang out of the ready availability of the industrial revolution's main raw materials – coal, iron and limestone.

Today, these much-reduced industries are in a strong recovery phase. But barely a day passes without more redundancies – not because of poor sales or profitability, but through a constant drive towards greater automation and productivity.

The divide between depression and prosperity in the Midlands therefore has more to do with the pattern of industrial development than with a clear-cut north-south divide. Shrewsbury, Stafford and Stoke-on-Trent, for example, all to the north of the main industrial conurbation, have far lower rates of male unemployment than the motor engineering city of Coventry, just 80 miles from London.

Yet some of south-east England's prosperity is undoubtedly spreading into the southern parts of the region. Coventry in the West Midlands and Nottingham in the East are two cities feeling the ripples.

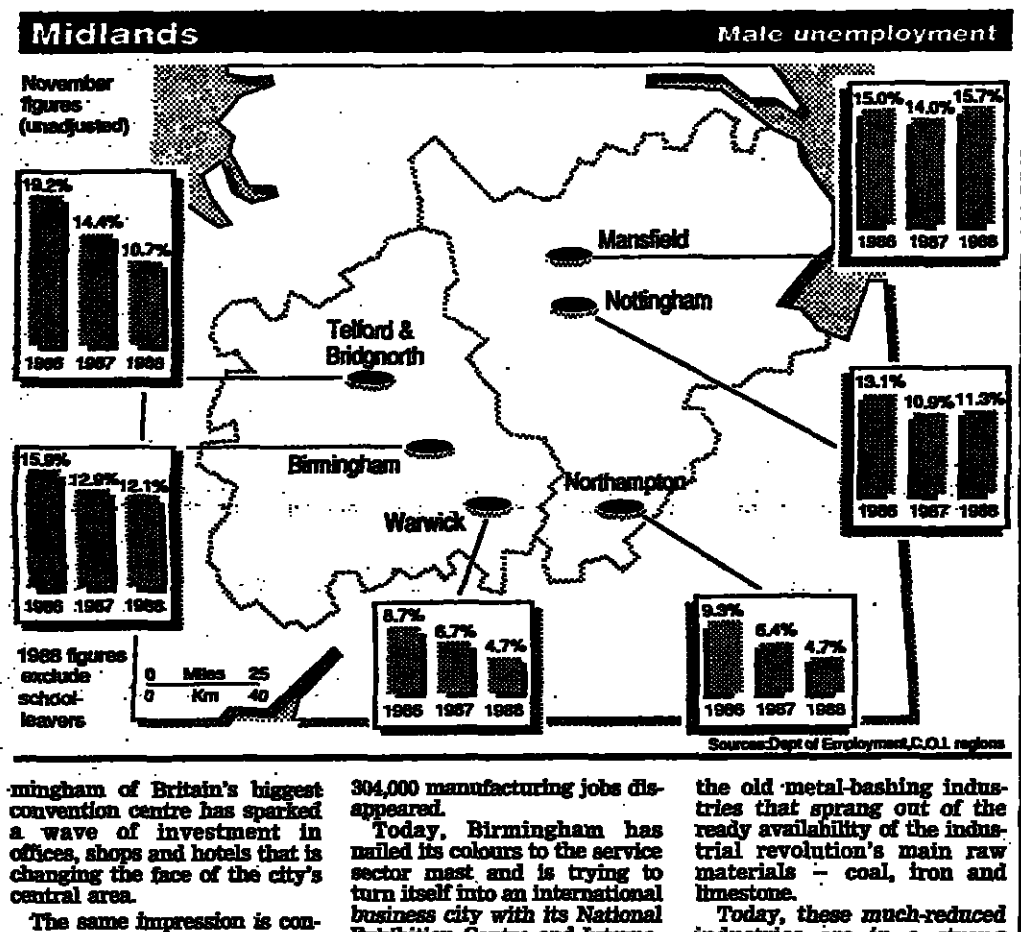
"I have a very simplistic notion about why Coventry is doing so well," says Mr Myles Mackie, the city's head of inward investment.

"Businessmen look at the map, go up the M1, find Milton Keynes, investigate it, find it's just as bad as London, find Northampton's the same, and we are the next stop up the motorway."

Again, though, it is the service sector that is thriving. The jobs moving to Coventry are office jobs: according to Mr Mackie, industry prefers to stay where it is, terrified of losing its skilled labour in a move and surmounting problems of capacity by subcontracting to suppliers in the north.

Male unemployment in Coventry therefore remains painfully high at 12.8 per cent in the city and 10 per cent in the travel-to-work area because of the damage done to its traditional manufacturing industry by recession. Yet only a few miles away lie Warwick, Rugby and Daventry with male unemployment rates of just 4.7 per cent.

Richard Tomkins



An east-west divide

From previous page

ern bridge approaches) gained over 8,000.

Industrial West Glamorgan has also suffered from emigration (nearly 9,000 left between 1981 and 1987), but Clwyd and the rural counties have all gained. But here the picture is distorted by a big influx of retired people. The exchange of the young and mobile for the old and less mobile does not auger well for economic growth.

The broader picture also provides grounds for qualifying the current public optimism. Manufacturing performance has been commendable, industrial production as a whole is still only 5 per cent above its 1980 level, while employment in the service sector has been virtually static in recent years.

Self-employment did increase rapidly (by 20 per cent) between 1982 and 1984. But since 1984 neither employment nor self-employment have increased. The fall in unemployment has been the result of people no longer officially seeking work. The proportion of females in the workforce has also remained constant since 1984, though the number of female part-time jobs has increased by 12 per cent.

As in the past, manufacturing-led recovery may prove difficult to sustain without parallel development of more dynamic activities. Recent studies have shown Wales to have far less than proportionate shares of R&D, employment, microelectronics consultancy firms and computer service businesses.

On the credit side are recent efforts to improve the financial infrastructure. Cardiff has had notable successes in attracting banking operations and recent years have seen a rapid growth of venture capital sources, dominated by 3i in Cardiff but with the Welsh Development Agency and Welsh Venture Capital providing a "hands-on" approach for smaller companies.

If venture capitalists recognise real economic potential, these are encouraging developments. But here, again, it is south-east Wales that appears to be the main beneficiary.

Lynn Mainwaring

Speckled picture in Scotland

AT A superficial glance, Scotland seems to doing relatively well at the moment. Despite the onset of high interest rates, opinion surveys report that confidence among businesspeople is still strong. Unemployment continues to drop, falling by 1.5 per cent to 10.6 per cent on a seasonally adjusted basis in the year last November.

The economy is thought to be growing at least as fast as the UK economy as a whole. Average house prices in Scotland rose by a reasonable but unspectacular 22.1 per cent in 1988 compared with the UK figure of 34 per cent.

The upturn in the economy – which counts as a recovery rather than a boom – came to Scotland late. The main reason for this was not because of the slow radiation of growth from the south of the United Kingdom, but because of the effects of the 1986 collapse of the oil price on the Scottish economy.

That setback cost Scotland at least 20,000 jobs and though its worst effects were concentrated in the north-east, the shake-out in oil-related manufacturing had an effect on many other parts of Scotland. It was not until mid-1987 that the Scottish economy began to show unmistakeable signs of recovery.

Yet even in the current relatively sunny climate the pattern of prosperity in Scotland is patchy, and there are some disturbing longer-term trends. The seasonally-adjusted unemployment level is still the third highest in Britain (beneath only Northern Ireland and the North). Within that total, average male unemployment amounts to 13.3 per cent.

Furthermore the fall in unemployment is not being matched by a comparable rise in employment – in Scotland employment rose only 0.1 per cent in the year to June 1988, compared with a rise of 1.3 per cent in the UK as a whole. This may have been because businesses expected the recovery to be relatively short-lived, while the drop in unemployment may be due in part to people leaving the unemployment register through retirement, or migrating to take jobs elsewhere.

The map of prosperity is speckled. The richest place is undoubtedly the Aberdeen area: it has the lowest unemployment of any of Scotland's cities (5.4 per cent) and is the only one whose population has grown over the past 20 years. This is mainly due to the development of North Sea oil and gas, which came on top of an economy already strong from fishing and agriculture, and lacking heavy industry. The new suburbs and townships around Aberdeen are full of medium and small manufacturing concerns.

The city felt the 1986 setback of the North Sea oil but has largely shaken it off: Aberdeen's rise in house prices last year was, at 35.8 per cent, the second highest of the Scottish cities, after Edinburgh.

In the central belt, Edinburgh is doing fairly well but ought to be doing better. It has high male unemployment (see chart) and its population of about 440,000 is falling (for example in 1985/86 deaths exceeded births by 640 and migration took away another 800). It is the centre of the fastest growing sector of the Scottish economy in terms of employment – banking, finance, insurance and business services – and this appears to have grown strongly in the past two years.

But the city's economy would almost certainly have expended faster had it not been for a long hiatus in the granting of planning permission for major new urban developments, now at last easing. Edinburgh is however the most attractive Scottish city for migrants from the south, and in the past two years house prices there have grown faster than anywhere else in Scotland, going up by an average of 39.5 per cent last year, according to the Halifax Building Society.

The economic recovery of the past year and a half has most benefited Scotland's main centres of manufacturing industry, the Glasgow area and Dundee. Though Dundee still has high unemployment its economy is in a healthier state than it has been for several years, and urban renewal projects are beginning to bear fruit.

The real success – but with important qualifications – has been the Glasgow area. The export-oriented manufacturers of capital equipment in the towns surrounding Glasgow have mostly done well in the past year or two. The centre of Glasgow has thrived, thanks to increased use of the city's professional services by industry, growing tourism encouraged by a sustained campaign to improve the city's image and facilities,and last year's Garden Festival.

Yet the city still has male unemployment of 25.2 per cent (the figures in the chart refer to the much larger travel to work area) and its population is in decline. The city's peripheral housing estates are still miserable concentrations of deprivation and it is hard to quarrel with the conclusion of a recent academic study that Glasgow is heading towards economic dualism, with a wealthy centre that has little in common with and does little to benefit a poverty-stricken periphery.

A serious long-term problem for Scotland is the slight but steady decline in the Scottish population, as a small natural increase is outweighed by a net loss to migration. The population is estimated to have been 5.1m in mid-1987. It is predicted that it will have reached 4.7m by 2025.

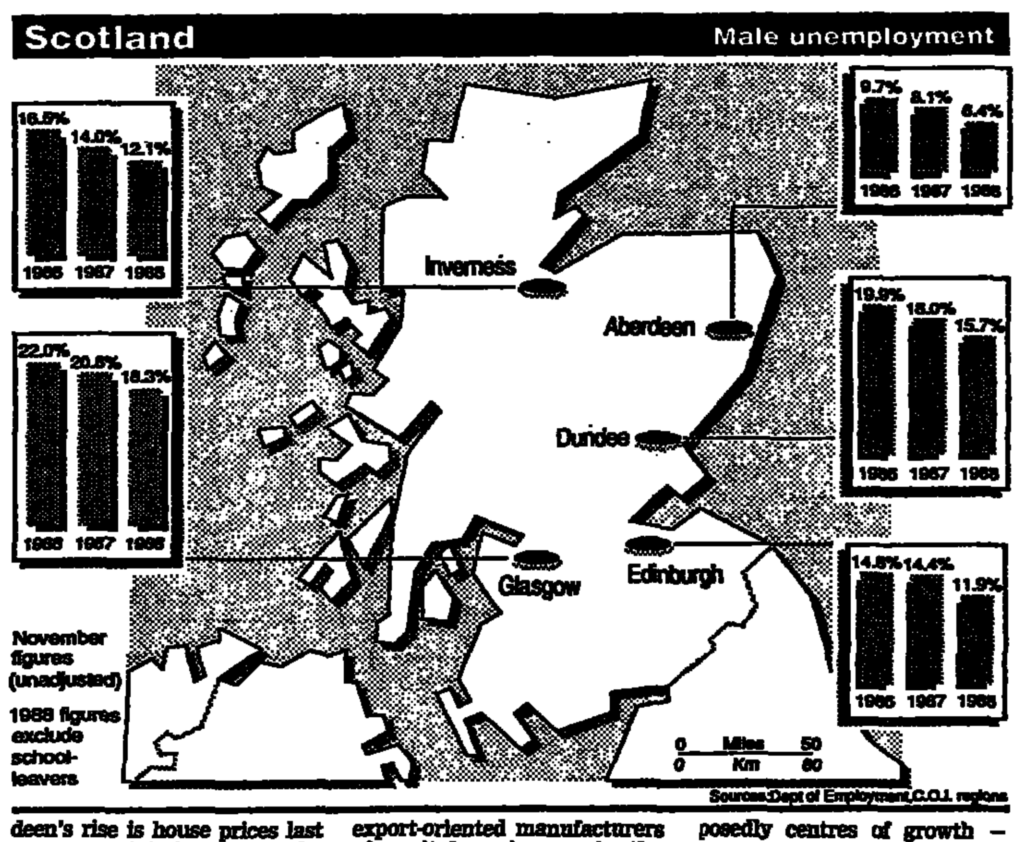
Apart from Grampian region, whose centre is Aberdeen, the only regions of Scotland whose population has increased by more than two per cent between 1976 and 1986 are the lightly-populated Highland region, and Shetland, Orkney and the Western Isles, boosted by the oil industry and/or by immigrants from the crowded south. Three of Scotland's five new towns – supposedly centres of growth – showed marginal falls in population between 1984 and 1987.

Out of a perceived lack of opportunities at home many Scots in their twenties and thirties leave their country for jobs in the south of England or abroad. It is a trend that probably gains impetus from the decline in the number of Scottish quoted companies – there are only about 75, including investment trusts. Takeovers by companies based outside Scotland usually mean a decline in Scotland's economic autonomy and a fall in the need for top quality professional advisers in supporting services such as accountancy and law. A new crop of Scottish companies is coming up, but few of them seem eager to risk Stock Exchange quotations.

Scotland has been wrenched agonisingly out of its over-dependence on heavy industry in the past 20 years and now has an economic profile – the division of output and employment between services and manufacturing – very similar to that of the UK as a whole. It has some relatively strong economic sectors – financial services, electronics (though this is largely a branch plant industry which produces virtually no employment growth), whisky, textiles and engineering, and others with good prospects, such as tourism.

But Scotland will have to run hard just to stand still in the 1990s when its population decline bites just as the European single market and the Channel Tunnel come onstream.

James Buxton



Minister's relocation argument may fall on deaf ears

South East companies aim to expand within the region

HIGH TECHNOLOGY companies of the South East operating in areas of growing importance to the national economy have no desire to move out of the region. Rather, they are seeking extra space within it.

These conclusions, shortly to be published, have been reached after analysis of the findings in a survey of more than 100 companies, employing nationally 700,000 people, carried out by Jones Lang Wootton, chartered surveyors.

They tend to counteract the notion, expressed as a hope in Government statements, that growing congestion in the South East will force companies to seek alternative locations and hence redress the regional economic imbalance.

This hope was expressed in January by Mr Malcolm Rifkind, the Scottish Secretary, when it was announced that the Department of Social Security intends to push jobs out from London to the regions.

"At a time when costs in the south east of England are escalating, when congestion is increasing, it surely makes sense to move to Scotland. Relocation does not only make sound sense in economic terms but also helps to balance employment opportunities throughout the country and beyond that to demonstrate the political unity of the kingdom," he said.

Malcolm Rifkind, Scottish Secretary: "Relocation makes sense"

But the conclusions from the JLW survey in fact downgrade this argument. The northern parts of the country are not automatically a more attractive corporate location for companies already established in the South-East. Indeed, JLW found that concern about the cost of accommodation was a factor of major importance for only 30 per cent of the companies it surveyed.

However, the bleakness of the conclusions – for those seeking to draw high technology companies into the Midlands and northwards – can be qualified.

JLW carried out its survey in the first half of 1988 among chemical, pharmaceutical, computer, electronic scientific, aerospace and defence companies. Then, arguably, economic confidence was at a higher level than it is now. At times of high economic confidence, accommodation costs are treated as a lower priority than in periods of more uncertain outlook.

Again, the picture may be shaded when results of interviews with a further 130 companies are fed into the analysis.

Further, the intensity of debate about the deterioration of the environment in the South East, relative to that of other parts of the UK, has sharpened over the past year. This may have had some effect on corporate perceptions of the ideal location.

Such changes would tend not to be translated quickly into business plans and the existing demands of the surveyed companies for extra space are almost exclusively directed towards not just the South-East, but a relatively small part of it.

"Over half of occupiers have specific space requirements totally 4.5m square feet of mainly office space. Approximately one third of demand is for headquarters space and 75 per cent of the 4.5m square feet is for units of 100,000 square feet or more," JLW found.

But overwhelmingly these office requirements were for Greater London and the arc of counties to the West, or for districts which were close to existing operations. There was, in short, a clear preference for the status quo. There was little inclination to move even east of London and only one company was looking for space outside the South-East.

These findings are a sobering reminder that much of the easy talk about relocation reflects an aspiration on the part of those who would like to generate movement rather than an analysis of what is actually taking place. Indeed, other research undertaken by JLW has shown that when companies decentralise from central London, they tend not to move very far.

Growing internationalisation of business has meant that companies place great store on the nearby presence of an international airport. Hence, the importance of Heathrow in inducing companies to settle on the western side of London. They place great store on car-parking facilities, although, in fact, these can probably be better provided the further away from London they move.

But the survey showed concern that, outside the South-East, there would be problems about recruiting suitable personnel and problems about retaining staff. "Disturbing the workforce acts as a deterrent to relocation," JLW quotes one executive as saying.

What all of this appears to be saying is that the South-East's problems of economic growth in a confined geographical area are not yet so acute as to cause the companies in the survey radically to change their property needs. They may want more carparking or better air conditioning or glitzier premises, but they want them where they are now and not somewhere else.

If this is true, then it seems likely that the Government's desire to foster more even regional growth will not be spearheaded by the established private sector, short of expansion beyond present dreams. Assembly and manufacturing plants may be scattered over the country but those in control will remain in the South-East.

Nor will it necessarily be spearheaded by the public sector. The Government itself may shift some of its administrative functions to the regions. Indeed the Property Services Agency is in the market looking for space. But the Government, in maintaining its departmental head offices in London, behaves just like the private sector companies canvassed in the JLW survey.

Paul Cheeseright

RELOCATION: WALES

Tasty deal for meat pies

FOR W A Turner the decision to open a further plant outside the South-East was a matter of necessity. It simply did not have the room to expand on its current site in Tunbridge Wells and, even if it could have found the land, it would have faced severe difficulties finding workers for any expansion.

"The number of jobless around Tunbridge Wells is about 2-3 per cent," says Mr Howard Blakebrough, Turner's managing director. "The reality is there is no unemployment. It is terribly difficult to find workers for any expansion scheme here."

Turner therefore looked north, out of the tight labour market in the South-East. Other requirements were to be near a motorway network for easy distribution of its products, and able to receive the maximum grants available. That meant not just an assisted area but also, if possible, to an enterprise zone within one.

The company dismissed the North East, Scotland and Northern Ireland because of the nature of its distribution needs. Turner makes pies, sausages and meat-based ready-made meals, most of which are own-label items sold by the big chains under their own trade names. Half its output is chilled foodstuffs and the rest frozen. Distribution is therefore crucial and Mr Blakebrough said the company considered these three areas would take it too far from its main markets.

"North of the M62 motorway did not really make sense for us," he says. "Corby would actually have been ideal. It is, geographically, near the centre of England. But Corby has been really successful and looking ahead five years we detected the makings of the same problems we face now in Tunbridge Wells."

It was a straight fight between Scunthorpe and Flint ... Flint had one other plus factor: the Welsh Development Agency

Rotherham and parts of south Wales were among those considered and discarded early on and eventually the decision came down to a straight fight between Scunthorpe and Flint.

"Both had good labour forces and good representatives. The local enterprise agencies in both were attuned to our needs and, most important, they did not leave us after the first contact had been made. They returned to see if they could offer further assistance."

Flint had one other plus factor: the Welsh Development Agency. Mr Blakebrough says the agency "did a very good job." It was the initial contact point and subsequently opened doors "to people who mattered." The agency "oiled the wheels. It did not 'sell' an area. It left us to make up our mind but it knew when to come in and when to stand back."

For Turner the move north offers important opportunities. The company is part of the Fitch Lovell group and has been in Tunbridge Wells since 1971. It was set up over a century ago, in 1852 in Suffolk and for years was a small East Anglian pie and sausage manufacturer.

It reached the dizzy heights of selling its pies at Euston station once and even managed to get a line into Harrods. But for the most part its base was within a reasonable radius of Ipswich.

Since the move to Tunbridge Wells, Turner has expanded its product range and selling area so that it now covers the country. Its current turnover is more than £20m, with a staff of 500.

As a result of opening a plant in Flint, Turner will transfer production of ready-made meals to north Wales. Growing demand for these products means it eventually expects to employ 400 in a 40,000 sq ft plant.

This will not mean labour cutbacks in Tunbridge Wells according to Mr Blakebrough because expanding production in the products left behind will absorb the workers previously employed on the ready-made meals line.

Flint has one extra attraction. Turner has bought a six-acre site, though it will need only half that in the immediate future. The other three acres are for future expansion. Turner is that confident of the future.

Turner's move north is therefore not just a way of getting over physical constraints in the South-East. It is also about expansion - now and, it hopes, in the future.

Anthony Moreton

RELOCATION: SCOTLAND

Soft sell secures the tape

MOST OF the companies which set up their operations outside the south-east of England go little further than East Anglia, the south Midlands or the South-West. But that is not a criticism that can be raised against Zonal.

Zonal, a leading maker of recording tape based at Redhill in Surrey, has shifted a large part of its manufacturing operation to Invergordon, north of Inverness in the Highlands of Scotland. After a little over a year it not only pronounces itself delighted with its decision but has also persuaded one of its suppliers to move with it, and should shortly announce the arrival of a second.

Mr Alfred Heise, Zonal's managing director, found that Zonal's expansion at Redhill was blocked by the difficulty of obtaining and keeping reliable staff in an area heavily dominated by the pull of Gatwick airport. "People in this area were leaving skilled engineering jobs to be aircraft cleaners on £5 an hour," he complained. "We couldn't get people – and when we did get them they usually left, knowing they could get another job."

Mr Heise considered several possible regions for relocation, looking at Wales, the West Midlands, and the North-East and North-West of England. Then a neighbour near his holiday cottage near Inverness suggested that he talk to the Highlands and Islands Development Board about moving to the Highlands.

"What I liked about them was that they didn't do the hard sell," says Mr Heise. "They suggested I went to look for myself and made up my own mind. Without any of the flip charts the others used, they were actually more positive."

Zonal set up its plant in the Enterprise Zone at Invergordon created when an aluminium smelter there closed. It received £200,000 in financial assistance for its £880,000 project. The plant opened in September 1987.

Now Zonal carries out the capital intensive chemical operation of coating the tape at its Redhill plant, then transports the tape to Invergordon. Here the more labour intensive task of splitting the tape into smaller lengths and packaging it for different markets is carried out. The finished tape is then transported to the customers (70 per cent of Zonal's production is exported) or returned to Redhill for warehousing.

"My big worry was the cost of transport," says Mr Heise, not surprisingly in view of the 600-mile distance between the plants. "But in fact our transport costs have gone up by only 2½ per cent. Against that, the efficiency of our operation has gone up by 15 per cent."

The smallness of the increase in transport costs is partly due to greater efficiency in transport planning. The company uses a single lorry which makes one round trip from Invergordon a week. That obliges Zonal to concentrate its shipments instead of despatching in smaller amounts, as in the past.

Efficiency has gone up because Zonal is getting greater productivity from its Scottish workforce, which now numbers 38 and is set to go to 50 within a year or so.

"I'm not saying there's anything wrong with the workers in the south, but the people at Invergordon are willing to put everything they've got into it. They're reliable people and job security means everything to them," says Mr Heise. There has been no staff turnover since the Invergordon plant opened.

Zonal sent only one man from Redhill to Invergordon, the general manager Mr Dave Quinton. All other staff were recruited locally.

The company has now persuaded its packaging supplier, Cohen Boxes, to set up a plant at Invergordon to supply Zonal and win other local business. It should eventually yield 20 to 30 jobs. Negotiations are now going on for Magna, a West German company associated with Zonal, to establish a injection moulding plant at Invergordon to make cassette boxes and spools for Zonal. It could eventually create 40-50 jobs.

James Buxton
Scottish Correspondent

RELOCATION: MIDLANDS

In the middle of the action

COVENTRY, the West Midlands home of Lady Godiva and a famous cathedral, is more commonly associated with motor manufacturing and engineering than with sunrise industries and the service sector. Yet it was to this city that Telemecanique Electrique (Great Britain), the UK offshoot of the French industrial automation group, came when it moved its headquarters from the South-East in July 1987.

Telemecanique is a world leader in the design and manufacture of hardware used in the automation of industrial processes. It does not make the equipment in the UK but it has 170 sales, administration and engineering staff in the country who until 1987 had been mainly based in Ashford, Kent.

As Mr Bob Hudson, managing director, recalls: "In those days we were primarily electro-mechanical people, and with electro-mechanical products the amount of training one has to give one's customers is relatively small.

"Then in 1985 we decided we wished to grow faster, and we set ourselves the target of doubling turnover in the next five years. We had also entered the electronics field with programmable controllers, variable speed drives and other electronic products.

"Increasingly with these products you are talking about total systems, which means that your customers want to visit you to discuss them with your engineers. You have to run training courses and you have to be available to your customers very readily.

"We found that operating from Ashford in Kent, this was not easy because of the communication barrier presented by London."

A careful study of the options led it to the conclusion that the company should relocate somewhere close to Birmingham airport, half-way between Birmingham and Coventry. Its architects came up with a greenfield site on the Warwick University Science Park near Coventry's south-west perimeter.

It was here that the company moved its headquarters staff in 1987. Some £3m was spent on 30,000 sq ft of premises including a 96-seat theatre and eight training rooms. Between 80 and 90 people now work there in applications and engineering, administration, training, sales, marketing and management.

Coventry's large labour pool and the (then) relative cheapness of land were among the city's attractions, but Mr Hudson is clear about the main reason for the decision: the vast improvement in communications.

"From the point of view of talking to our customers, here in the Midlands we are eight miles south of Meriden, the geographical centre of the country: but more importantly, we are right in the middle of Britain's industrial rectangle. That means 80 per cent of our customers can get to us and return home by car the same day.

"We have the M1, the M6, the M5 – the roads are unbelievable compared with the South-East, where motorways are almost unheard of. Birmingham airport is only 20 minutes away, and the train service to London is excellent. It really is a dream."

Paradoxically, however – perhaps even ominously from the Midlands' point of view – the physical distribution of Telemecanique's products is still carried out from the company's old base in Ashford. The reason for this is that the materials that make up Telemecanique's systems are nearly all imported through Dover, and in the long-term they are likely to come through the Channel Tunnel. Ashford is therefore ideally placed as a staging post for onward transmission into the UK.

Of the 80 or so employees at Coventry, 24 moved from Ashford. Another 20 came from the company's other UK locations and the rest were recruited locally.

According to Mr Hudson, those who moved from Ashford are extremely pleased with the result. They enjoy good housing, they are close to the countryside, and easier access to their customers means they spend less time away from their families on overnight stays.

If Mr Hudson has any regrets, it is that too many other people are cottoning on to Coventry. Land and property prices are catching up with those in the South-East fast, he says.

"I don't want to make it sound too attractive. There are too many people coming up here already."

Richard Tomkins
Midlands Correspondent

Pressures of success

Continued from Page 5

South West is also attracting working age migrants. But the region has pockets of relatively high unemployment, particularly in those areas of the more peripheral sub-region of Cornwall which have suffered from contraction of the engineering industry and tin mining.

The South East, East Anglia and the South West, the regions of southern Britain, display many characteristics in common. The overall picture is one of growth, with consequent pressures on housing, transport, availability of labour, and costs. But there are still significant pockets of unemployment giving rise to big variations in jobless levels, between, for instance, west London and inner east London; north east and south west Kent; the inner and outer suburbs of Bristol.

On the other hand, standard regions ignore the fact that common factors might straddle regions. The M11 corridor, for instance, stretching from south Cambridgeshire, through Hertfordshire and into Essex, will be the focus of future economic growth, defined largely by the means of communication.

John Hunt and Hazel Duffy

**Regional Economic Prospects, Cambridge Econometrics, 21, St Andrew's St., Cambridge, CB2 3AX. Full report £1,500, short report £35.*

هكذا من الأصل

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY.

ECGD

PROJECT	CRITERIA
Relocation of Insurances Services Group and Information Technology Centre.	Cost savings in office accommodation. Availability of 300 local personnel. Good communications with rest of UK. Local infrastructure. Quality of Life.

DECISION: Cardiff 1976

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY.

AA INSURANCE

PROJECT	CRITERIA
Location of one of three main booking centres in UK.	Readily available inexpensive offices. Availability of workforce. Good communications links. Infrastructure. Quality of Life.

DECISION: Cardiff 1977

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY.

CHEMICAL BANK

PROJECT	CRITERIA
Relocation of capital markets back office processing, accounting and data processing functions.	Readily available workforce. High quality, inexpensive premises. Good telecommunications. Good road/rail links with London. University City.

DECISION: Cardiff 1983

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY.

TSB TRUST COMPANY
TSB Trust Company Limited

PROJECT	CRITERIA
Relocation and expansion of General Insurance Division.	Up to 300,000 sq. ft. purpose built offices. 2,000 people. Ease of communication. Scope for expansion.

DECISION: Newport 1987

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY.

DC Gardner Group plc
International Banking Consultants

PROJECT	CRITERIA
Establish new office to handle financial and human resource training.	Good infrastructure. Fast communications with the City. High quality, inexpensive offices. Enthusiastic and adaptable workforce. Expanding financial centre.

DECISION: Cardiff 1988

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY.

N M Rothschild & Sons Limited

PROJECT	CRITERIA
New branch office offering a full range of merchant banking activities.	Fast growing local economy. Banking and corporate finance opportunities.

DECISION: Cardiff 1988

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY.

NPI
NATIONAL PROVIDENT INSTITUTION

PROJECT	CRITERIA
Staffing and accommodation needs of a leading life insurance business with substantial growth plans.	77,000 sq. ft. offices. City centre site. 500 people. Quality environment. Strong local support. Communications.

DECISION: Cardiff 1988

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY.

They have. Will you?

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY.

BNP
BNP Mortgages

PROJECT	CRITERIA
Expansion by the residential mortgages arm of BNP.	Dedicated local staff. Excellent professional infrastructure. High educational standards. Quality of Life.

DECISION: Cardiff 1988

TSB have. Rothschild have. N.P.I. have. In fact, all these financial organisations have either moved to South East Wales, or expanded their operations in this flourishing financial location. They are just part of a thriving commercial sector who've capitalized on the area's great potential.

Shouldn't you, too?

With its low overheads, numerous modern offices and greenfield sites, excellent communications and highly-skilled and readily available workforce, you'll find South East Wales a very attractive proposition indeed.

Even more so, when you discover the beautiful countryside, the first-class leisure amenities and the superb, yet affordable housing that's on offer.

For more information about South East Wales, ring Cardiff (0222) 222666 and talk to Stephen White, who heads our Financial Services Team. Or, if you prefer, write to The Welsh Development Agency, Pearl House, Greyfriars Road, Cardiff, CF1 3XX.

SOUTH EAST WALES
NEWPORT
CARDIFF
FINANCIAL SERVICES LOCATION

An initiative supported by Cardiff Bay Development Corporation ■ Cardiff City Council ■ Gwent County Council ■ Newport Borough Council ■ South Glamorgan County Council ■ The Welsh Development Agency

Transport: improved links are vital to regional growth but . . .

South-East will grab the cash

MR PETER Bottomley, the Roads Minister, attracted a lot of unwelcome publicity a few months ago when he urged motorists to think of traffic congestion as a sign of prosperity.

The remark was widely regarded as shocking evidence of ministerial complacency in the face of the daily frustrations facing millions of drivers on Britain's roads.

In terms of political sensitivity, Mr Bottomley's remark rated somewhere alongside former Prime Minister Jim Callaghan's famous question — Crisis, what crisis? — at the height of the 1978/79 Winter of Discontent.

In fact, however, Mr Bottomley was right, though he may also be complacent. One of the major difficulties of transport planning is that growth in demand is a lagging indicator — generally emerging some time after growth in the economy as a whole.

The transport infrastructure in use now was designed either when the overall level of economic activity was much lower, or, in the case of the 1970s and early 1980s, when growth appeared likely to stop altogether.

The result is crowded roads, overloaded trains, and a lot of lost time and money. The Freight Transport Association, for example, recently calculated that delays on the M25 London Orbital Motorway are costing the haulage industry around £13m a year.

Unfortunately for Britain's regions, with the exception of links such as the M62 and the M6 between Birmingham and Liverpool, most of this congestion is concentrated in the South-East.

From the point of view of the regions, there are great dangers in the political pressure which can be brought to bear by the South-East, especially on a Conservative government.

For example, a great deal of thought is currently being given to improving the links between central London and Heathrow airport, and money is already being spent on improving the rail link from London to Stansted airport.

Yet northern businessmen and politicians have been pressing unsuccessfully for years for Government action to divert some excess air traffic from the South to northern airports such as Manchester.

By the same token, Mr Paul Channon, the Transport Secretary, is currently considering a series of options for improved intra-London rail and Underground links presented in the Central London Rail Study, prepared by London Underground and British Rail's Network South-East sector.

Yet businessmen complain that pleas to BR for electrification of important rail lines, such as those serving Bradford, Derby, Chesterfield, Sheffield, Nottingham and Hull, fall on deaf ears.

The political pressures created by congestion in the South-East are exacerbated by the economic pressures arising from the proposed completion of the European single market, in 1992, and the construction of the Channel Tunnel, scheduled for completion in 1993.

The Government is committed to improving the access roads to the Channel ports, as part of the package of measures intended to alleviate the impact of the tunnel on the ferry industry.

Separately, British Rail is moving towards a deal on a high speed rail link from London to the tunnel portal which would match the 180mph running which is expected on French and Belgian tracks.

The high speed link will probably be at least partly financed privately, but the effect is likely to be concentrate attention still further on the problems and opportunities of the South East, and away from the North.

Ideally, the Channel Tunnel should present an opportunity for northern businesses to penetrate the expanded European Community market of 320m people which will be brought within a few hours by rail.

But only hard bargaining, and the support of Eurotunnel, the Channel tunnel consortium, has helped persuade BR to move towards abandoning plans to channel all international freight services through a single depot at Willesden, in North London.

Mr Ian Brown, managing director of BR's Railfreight Distribution division, says a review carried out by his staff has concluded that bottlenecks at Willesden could add up to six hours to some journeys from the North.

Mr Brown is now drawing up plans for a series of regional freight depots at which trains will be formed to run direct to the tunnel, bypassing London on upgraded lines to the west.

The regional depots — at Strathclyde, Liverpool and/or Manchester, Leeds and/or Wilton (near Redcar), Birmingham and one other Midlands location, and South Wales — will have Customs clearance facilities and could help BR achieve its target of 30 per cent of cross Channel freight traffic.

Mr Brown says he accepts that Willesden is not "a saleable alternative," and that BR's own profits will be maximised by decentralising the international freight operation.

Yet this is precisely what northern interests have been saying for months. The Leeds Chamber of Commerce, for example, asked in a report published last Autumn why BR appeared to be foregoing "a major business opportunity."

To transform prospects in the North requires a conscious decision to invest in new transport

Railfreight provides a good illustration of the fears of many in the North that the regions will simply be forgotten as economic growth continues to concentrate attention on the South-East.

"There is a great danger that investment will be focused on the South-East, partly to combat congestion. But prosperity in Britain needs to be much wider spread," says Mr David Fletcher, executive director of TransPennine, a private-sector group recently launched to lobby for more investment in the North.

"A picture of Britain with an overheated South-East trying to support the declining regions is not an attractive one," he adds. "What we have to do is to promote the investment, in transport links as well as in other areas, which will ensure that economic growth is experienced in the North."

The Government is able to point to a great deal of investment in transport links to the regions over the years, some of it very successful.

The M62 motorway, for example, has changed the geography of the north of England by creating a viable east/west axis to rival the historical pull of the south.

As a result, manufacturing companies such as Northern Foods and Coloroll have been encouraged by the motorway link to sites in areas they might otherwise not have considered.

Pilkington, the world's biggest glassmaker, recently decided to site a new plant in St Helens, Lancashire, and supply its southern markets via the motorway network, rather than pay a £25m premium to site the plant in Kent.

On the rail front, British Rail electrified the West coast main line to Liverpool and Glasgow years ago, and is currently completing the electrification of the East coast main line as far north as Edinburgh.

Yet there remains a widespread feeling that the North is a poor relation, with transport links which do not measure up to the requirements of the region.

There are literally dozens of suggested improvements - the Confederation of British Industry lists 25 road schemes it would like to see started in its northern, north-western and Yorkshire and Humberside regions alone.

Other lists have been produced by the Association of British Chambers of Commerce, the British Road Federation, the Road Haulage Association, local councils and academics.

There is general agreement on a number of priorities, however:

- Upgrading of the A1 to motorway standard throughout its length. The A1 — the major North/South link east of the Pennines — still has nearly 2,000 junctions with minor roads, farm yards and private houses.
- An all weather route from Sheffield to Manchester along an improved A628. This would be 30 miles shorter than the journey via the M62, and would reduce congestion on the motorway. it could also ease pressure on the M6 by providing an additional North/South link via the M1.
- Improving the northern transPennine routes by dualling the A66 from Scotch Corner to Penrith and on to Workington, and dualling the A69 from Newcastle to Carlisle.
- An M6 relief road, built to motorway standard to the West of the existing motorway and linking with the M42 and M40 via the planned Birmingham western orbital route.

There are also proposals for an East Coast motorway, which would extend the M11 northwards to the Humber Bridge, passing close the The Wash before crossing the under-used Humber Bridge and on to Scotch Corner.

Mr John Gunnell, chairman of the Yorkshire and Humberside Development Association and the North of England Regional Consortium, says the proper response to both southern congestion and the opportunities of Europe is to shift investment to the North.

"If we don't get reasonable infrastructure there will be an even greater disparity between our region and the South-East than there is at the moment, and that cannot be good for anyone," he says.

Yet Mr Gunnell says there is little hope of positive Government action to promote investment in the North in a climate in which, for example, air traffic is being diverted from Manchester to Stansted.

"I think we need to look at strategic planning on a regional basis. That would be very beneficial in terms of sorting out the priorities which would get the North going again," he says.

"It is not that we are not seeing an increase in economic activity in the North now, but we have a long way to go before we catch up with the momentum of the South-East.

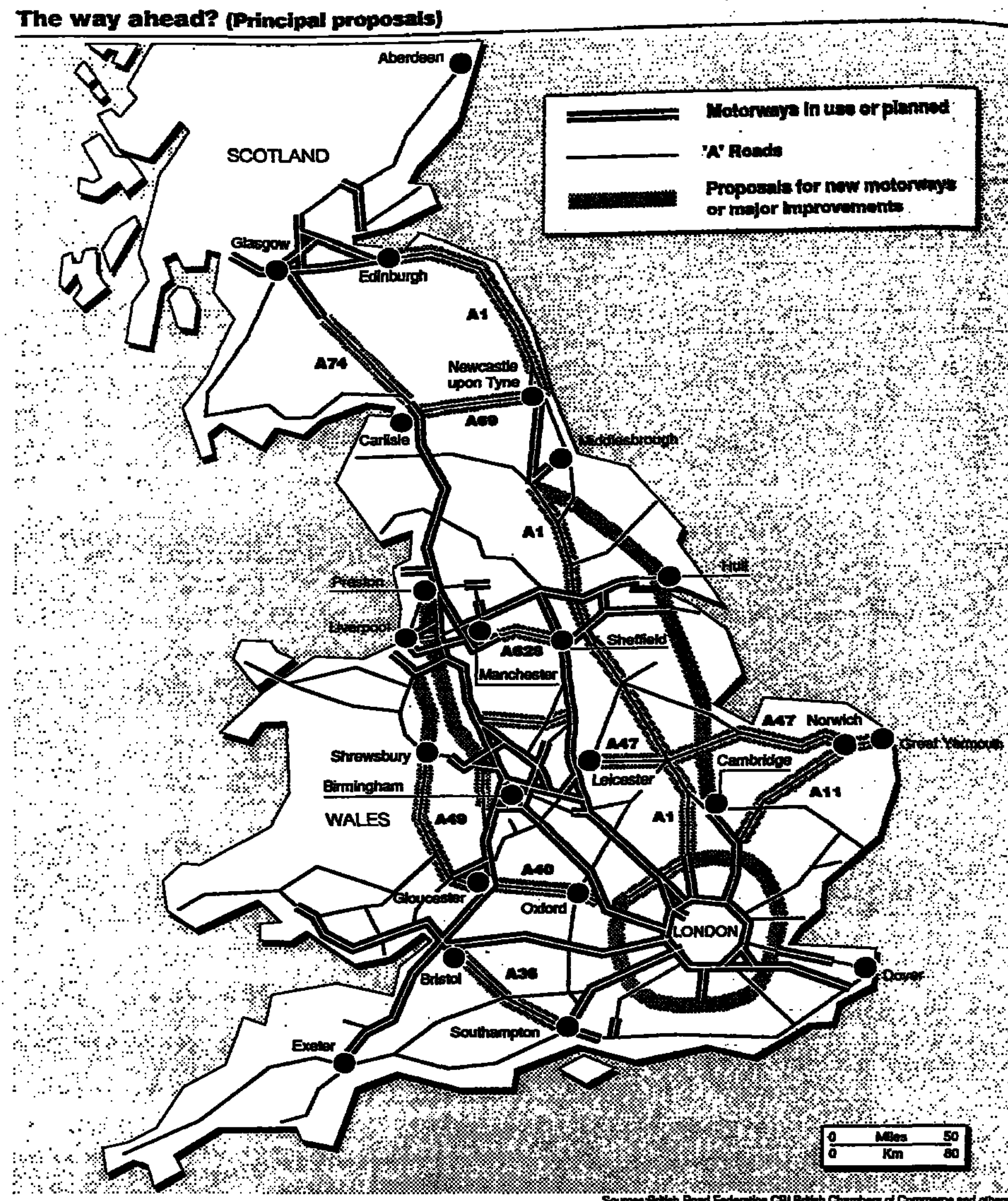
There is powerful support for the Government view that the prosperity of the South will gradually spread until it takes in the North. For example, Peter Hall, Professor of Geography at Reading University, concluded in a recent study "It was not too fanciful to think of transforming the North through the laissez-faire mechanism, rumoured to be in favour among some Government ministers: by letting the South ripple north until it reaches the North."

However, Mr Hall also concluded that the necessary conditions for a rapid change of economic conditions in the North do not yet exist.

"To transform development prospects in the North...will take a conscious decision to speed up the natural trends, by investing in new transport technology," he writes.

Kevin Brown

The way ahead? (Principal proposals)



Sources: British Road Federation, CBI, British Chambers of Commerce and others

North of England development agencies are breaking records

Greater sense of teamwork

THE THREE Government-backed inward investment agencies for the north of England have been doing record business, with new jobs being imported in batches of hundreds.

There are now 23 Japanese companies in the North-East and 24 West German ones. In the North-West the area around Runcorn is beginning to look like a US colony. On Humberside, Mitsubishi is setting up a factory in Hull docks and Citizen Watch is making computer printers at Scunthorpe.

Nissan, the most high-profile foreign investment of recent years, is expanding car production quickly in Washington, Tyne and Wear and has now created over 3,000 jobs. In nearby Birtley, Komatsu is branching out from excavators into earth movers.

Understandably, these successes are being "talked up" for promotional purposes, but an occasional note of caution can be heard among the fanfares.

The Rev Bill Wright, a pioneer of enterprise training in the schools of Cleveland, put it this way to a Business in the Community conference two years ago: "We need a new Nissan every month for 10 years if we are going to eradicate current unemployment levels."

The view is echoed privately now around the boardroom lunch tables of leading companies and financial institutions, but not much outside. No one wants to be accused of pessimism or of rocking the boat.

Last November's unemployment figures, released just before Christmas, underline the scale of the problem. The North-West, which is the largest of the north's three regions, still had 301,200 unemployed, Yorkshire and Humberside 209,800, while the figure for what the Government calls the "North" – comprising the North-East and Cumbria – was nearly 164,000.

An occasional note of caution is to be heard among the fanfares

Most inward investments make only a tiny dent on such numbers, as evidenced by the first big new investment announced this year. This was the conversion of a dockland warehouse in Hull by Mitsubishi to make service modules – such as toilets and plant rooms – which are slotted straight into new or refurbished buildings. The factory may eventually create 200 new jobs.

However, the value of such things cannot be looked at in isolation. Dr John Bridge, chief executive of the Northern Development Company, one of the agencies, points out that investments and expansions by foreign companies can only take place if there is a network of component suppliers in the area.

This is vital if the inward investors want to use the UK as a base for exports throughout the European Community. Local content is critical to goods being accepted as "European." This content has to come from indigenous UK industry. This in turn means that local suppliers have got to meet high standards of design and quality at competitive prices.

The development of this infrastructure of supply has been a key factor in the increasing success of the inward investment agencies in recent years. For example, the Yorkshire and Humberside Development Association (YHDA) would not have persuaded Citizen to Scunthorpe if the necessary quality of injection moulded supplies had not been available in nearby West Yorkshire.

In the North-West, the Manchester offices of the Japanese banks Fuji and Sanwa make great play of this as their staff service existing Japanese-owned companies all over the north and scout the ground for new ones thinking of moving in. The Japanese bankers say that 10 years ago this infrastructure of competent suppliers did not exist.

The aptly named Inward, the north-west's agency to attract foreign investment, exploits the region's growing network of smaller, high technology, suppliers as hard as it can.

Inward, however, exemplifies something else of what is happening – the regions have been getting better at getting their act together. When Nissan first went hunting for a British base in the early 1980s, one of the aces with which the North-East beat its rivals was the quality of its teamwork.

This was far superior to that of Yorkshire and Humberside which many admit privately to have been characterised more by disarray than togetherness. Lessons have been learned everywhere from this. Competition and rivalry for jobs continues, but not on a beggar-my-neighbour basis, even between the regions.

The North-West – where the rivalry of Liverpool and Manchester has been raging for the greater part of two centuries – was the last of the three regions to sort itself out.

It took skilful diplomacy by Mr Ken Medlock, then a Merseyside business leader and now Inward's chairman, to pull people together. Mr Basil Jeuda, the chief executive, is a former leader of Cheshire County Council, while headquarters is in Chorley, deep in the heart of Lancashire.

Crucial to this greater sense of teamwork has not only been the willingness of local authorities to sink differences but also of the private sector to support the agencies.

The Northern Development Company struggled to ensure that Durham, then Cumbria, came into its fold, but it had less difficulty in getting more than 200 private sector companies in the North-East to subscribe.

Meanwhile, the YHDA – chaired by Mr John Gunnell, a prominent Yorkshire Labour politician – successfully recruited leading large companies as sizeable sponsors, not least on the grounds that inter-trading between them and inward investors would be good for business in general.

Local content is critical to goods being accepted as European

As the regional agencies have developed, so have individual local ones in a stratum below them, pushed by local authorities. For example, Durham and Leeds have set up development companies, Merseyside has set up Boom – Business Opportunities on Merseyside – with Liverpool University and the financial sector in the lead – Sheffield City Council has reached a now-vaunted rapprochement with private industry, and in Halifax and Blackburn, Business in the Community has set up partnership experiments to pull together public and private sectors in common cause on industrial development.

This is not just about inward investment from abroad but from the overcrowded South-East too. Mr Charles Monck, chief executive of the YHDA, says that inquiries from this direction are "ever increasing."

But he still warns: "Fear and ignorance of the north seem to be the main factors in the reluctance of southern firms to look farther afield to expand. It is up to the region as whole to get the message across."

What the north offers is effective infrastructure, an adaptable workforce, a lower cost base and a high quality of life, particularly for those moving out of the crowded South-East.

Most of the 2,090 new jobs reported by the YHDA in the last two months of 1988 were expansions of UK companies, some already in the north but headquartered elsewhere, but many of them newcomers. The message seems to be getting through.

Ian Hamilton Fazey

Scottish and Welsh Development Agencies

Political paths diverge

THE Scottish and Welsh Development Agencies have an importance that exceeds their purely economic functions. Because they have a high public profile and are one of the relatively few ways in which governments can directly influence local economies, much of what they do has strong political overtones.

Thus once again the Scottish Development Agency is in turmoil as it prepares for yet another change in its role and structure; and changes may be in the offing for the Welsh Development Agency too.

The Scottish and Welsh Development Agencies were founded by the Labour government in 1976. Both Scotland and Wales were suffering severely from the decline of traditional industry and its effects on social conditions.

The agencies were formed to regenerate their local economies and were specifically charged with involving themselves in industry, which they did in part through a number of attempted rescues of lame duck companies, not all of which were successful. They were also given an important role in the renewal of derelict urban areas, in factory building and leasing and in attracting inward investment from abroad and elsewhere in Britain.

In Northern Ireland the Industrial Development Board has a more limited role in assisting both established companies employing more than 500 people and in attracting inward investment, where it has recently had some spectacular successes. It is part of a government department rather than having separate status.

The Conservative government which came to power in 1979 was initially intensely suspicious of the highly interventionist agencies. But it did appreciate their importance to the depressed economies of much of Scotland and Wales and gradually realised that the agencies registered achievements for which governments could take credit.

Both agencies were directed to take a more catalytic than directly interventionist role, attempting to involve the private sector as much as possible, trying to spot opportunities that businessmen might have missed, and trying to become involved – especially financially – in what were considered to be cases of "market weakness", where market forces were insufficient to stimulate the private sector to act on its own.

Almost half of the spending has been redistributive

Both the SDA and the WDA tried hard to undertake projects that would enrich the economies of Scotland and Wales as a whole, rather than automatically moving in to resuscitate economic black spots with schemes that very often only meant redistributing existing resources – for example directing investors, with the help of financial aid from the taxpayer, to enterprise zones when they might anyway have set up elsewhere in Scotland without assistance. But almost inevitably about half of the SDA's and the WDA's spending has been essentially redistributive.

The policies of the agencies in the 1980s are widely regarded as having been more effective than those of the 1970s, and in 1986 the SDA and the WDA received broad, if often qualified, approval from reviews carried out by the Treasury and the Scottish and Welsh Offices. Often the agencies' greatest strength appears to be the fact that they contain a cadre of highly able, dynamic and skilled people, bringing more imagination to bear to the problems of their countries than civil servants.

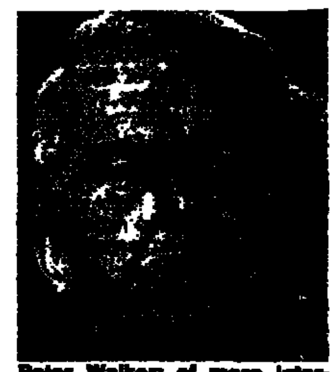
Yet relationships between the SDA and the Scottish Office continued to have their tensions. Ministers were irritated that the SDA always seemed to gain credit which they felt ought to have gone to the Government – especially in the field of inward investment, which is the responsibility of Locate in Scotland, technically a joint operation between the Scottish Office and the SDA. Civil servants, for their part, did not like the agency taking initiatives they had not been informed about.

In Wales tensions of this kind appear to have been less, though they still arise from time to time.

They contain a cadre of highly able, dynamic .. people

Since the 1987 general election the paths of the two agencies appear to have diverged more. Mr Peter Walker, the Welsh Secretary, is of a more interventionist bent than Mr Malcolm Rifkind, the Scottish Secretary, and procured a 37 per cent increase in the WDA's annual grant for the current financial year. The SDA's grant, by contrast, rose only five per cent.

In mid-1988 the SDA, just emerging from the disruption of regionalisation (which had been implemented earlier in Wales) suddenly faced the prospect of drastic new changes. Mr Bill Hughes, chairman of the Confederation of British Industry in Scotland, proposed an initiative to clear up Scotland's unemployment blackspots through the creation of a new body that would merge the employment creation role of the Training Agency (once the Manpower Services Commission) with the SDA. The new body, to be called Scottish Enterprise, would operate through a number of local agencies under the direction of businessmen.



Peter Walker: of more interventionist bent

Mr Rifkind and Mrs Margaret Thatcher, the Prime Minister, seized on Mr Hughes' proposals with alacrity. They were, as Mrs Thatcher said, "a Scottish solution for a Scottish problem," which had its political attractions for the beleaguered Conservative Party. They coincided with ideas for employment training being developed by Mr Norman Fowler, the Employment Secretary. They also offered the chance of firmly putting a Conservative stamp on an institution which is still remembered as a Labour Party creation.

The new scheme was formalised in a White Paper in December and is now the subject of consultation. Despite deep fears in the run-up to the publication of the White Paper, that the SDA would in effect be broken up, the document indicates that the agency will retain its core functions, and will only delegate powers to local agencies (it is proposed that there should be 22 of them) as and when the local bodies show themselves capable of taking them on.

Doubts have been voiced as to whether businessmen will have the time and commitment to dedicate to the local agencies, and the White Paper itself criticises them for having shown little interest in training in the past.

Another criticism is that, as each local agency fights for its own patch, the use of resources could become even more redistributive than it is at present. In general, however, the Scottish Enterprise idea has broad political backing.

The idea of establishing business-led Training and Enterprise Councils in the rest of Britain (but not Northern Ireland) was put forward by Mr Fowler in a White Paper in December. They will therefore be established in Wales in some form. Mr Walker has made clear that he wants the WDA to remain as it is, though he added that training would be coordinated with the agency's enterprise promotion role. The Employment Department's White Paper said that the two functions would be integrated. Now the Welsh Office is said to be "considering" how this will be done.

James Buxton

Hazel Duffy on the Government's inner city initiatives

Search for urban uplift

"... We've got a big job to do in some of those inner cities, a really big job. Our policies were geared — education and housing — to help the people in the inner cities to get more choice and, politically, we must get right back in there because we want them too, next time."

In his new book on Whitehall, Mr Peter Hennessey quotes in full what Mrs Margaret Thatcher, UK Prime Minister, said in June 1987. The Conservatives had won the election comfortably. But every big northern city had stayed in Labour hands, fuelling Opposition taunts that Thatcherism had divided the country.

Inner cities first formally gained the status of a policy 20 years ago. It was largely aimed at ameliorating social problems. In 1977, the White Paper on inner cities steered the emphasis to include regeneration in partnership with local authorities.

Two years later, Mr Michael Heseltine, then Environment Secretary, set his priorities on capital investment, in partnership with the private sector. The first urban development corporations were set up in London Docklands and Merseyside.

The inner city riots in 1981 prompted Mr Heseltine to cajole the leaders of the financial institutions into accompanying him on a tour of Merseyside, in a bid to get them to commit resources to the problem of deprivation. At the same time, he attempted, unsuccessfully, to win a big increase in public resources for the inner cities.

Meanwhile, in Glasgow, the programme to renew the east end of the city (GEAR — Glasgow Eastern Area Renewal) was well under way. Public finance, channelled through the Scottish Development Agency, and boosted by European Commission funds, launched the revival which spread to the city centre. Slowly, the city started to attract private sector investment. The changing of Glasgow has stimulated more interest than any other British city.

A similar revival is taking place in the former industrial cities around Britain. Restored Victorian grandeur, whether the GMex centre in Manchester, the theatre in Newcastle or the opera house in Hull, is frequently the focal point for renewed interest in the city, followed by private sector investment in the surrounding area. Waterfront sites are playing a key role in attracting leisure, residential and retail developments.

Government policy, through the urban development corporations and the grant mechanism, is succeeding in attracting private sector investment in such projects. But the spread of economic growth to the regions in the past year is the most important factor spurring development. Demand for commercial and industrial space is increasing. Rents and capital values in and around city centres are going up.

Critics say the Government's policy is inadequate

The demand is mostly local, related to the expansion of smaller businesses and the growing financial services sector in cities like Manchester and Leeds. Meanwhile, city councils are bidding vigorously to attract the attention of government departments and companies which are contemplating moves out of London and the South-East.

A *study** into the competitiveness of different parts of the country demonstrated that the cost structure of conurbations tends to be considerably higher than semi-rural areas, and that East Anglia and other parts of southern Britain have many locations which are more competitive than cities in the North.

The results highlight the huge task that lies ahead in built-up areas like the Black Country, and Teesside, which have been afflicted by industrial closures, and where land is frequently contaminated by industrial waste.

Critics of the Government's policy on the inner cities say that it is inadequate for the scale of problems, and that it is over concerned with property. They say that the biggest problem is social.

Inner cities have a much higher than average population which is dependent on the State, and a concentration of ethnic minorities. The problem is not confined to the industrial cities. Deprivation in inner London boroughs is particularly acute.

The problems of the inner cities, which include high rates of crime, poor housing and high unemployment, are being addressed by a number of Government measures. Ministers are also pushing the private sector into re-assuming responsibilities towards the community, in the hope that they will find a new breed of city fathers.

It is too early to say how successful they will be. Stirrings of interest are evident. Many companies have responded enthusiastically to the Compact idea, which links inner city schools with local companies.

But the fear in many deprived areas is that Government and private sector initiatives are not sufficiently effective to prevent a repeat of riots. It is against this background of conflicting symbols — city centre revival and the *threat of social unrest — that* the Conservative Party has pitched its campaign to win votes.

Manchester was singled out by party headquarters after the 1987 election as a political target. What happens in Bradford, where the Conservatives gained control of the local council last summer and have set out to change radically the direction of city-funded programmes, might be more significant.

**Geographical Variations in costs and productivity: Tyler, Moore and Rhodes. HMSO £9.95.*

PROPERTY

Retail attracts the investors

THE CRANES are visible for all to see. Parts of the country resemble a gigantic construction site. All the appearances suggest that the property industry throughout the country is enjoying its best years of the decade.

But the reality is more complex. A healthy property industry is an indication of the growing economy and a contributor to that economy. Yet only in specific instances can it be argued that the industry is a motor of revival in the regions.

Certainly in the office and industrial sectors, property development and investment have tended to follow and exploit the economic growth which is already taking place. Developers need evidence of demand before they are prepared to make the financial commitment to new buildings. Investors want evidence if not of actual rental growth then at least of potential rental growth and the probability of higher capital values before they commit themselves to the market.

Such evidence became readily available after 1986, as the charts demonstrate, and has led to the recent surge of interest in the sector. What is less readily discernible now is the effect of higher interest rates on the relatively recent revival of the sector, both in terms of its own financing and in terms of the accommodation demands of its potential customers.

Different factors, however, have been at work in the retail property sector. Its sustained growth has taken place on the back of the steady rise in consumer spending and of the ready availability of credit. What has been surprising has been the duration of the growth. Partly, of course, this has followed the more stringent demands of consumers and has led not only to the provision of new shopping facilities but also to the refurbishment of existing ones.

But the growth in the retail property sector has fed on itself. The more that developers and investors put into the sector the more they encouraged further development and investment. The result has been that, while in the office and industrial sectors growth has been scattered and uneven, in the retail sector growth has been all over the country. Regional economic disparities have been ignored.

The growth in the retail property sector has fed on itself. Thus, while in the office and industrial sectors expansion has been scattered, in the retail sector it has been nationwide. Regional economic disparities have been ignored

There is a further point. The feeling that retail investments are secure and that, whatever blips there might be in the economy, consumer spending is solidly underpinned has led to a pressure for retail development in both derelict urban areas and on sites outside the main cities.

Retail development has come to be seen as a factor both in the revival of drab inner cities and in rundown industrial areas outside.

The MetroCentre at Gateshead, Merry Hill at Dudley, The Forge at Parkhead, Glasgow and Albert Dock in Liverpool are examples of retail in this revival role. If the property industry is seen as a promoter of greater regional economic growth, it is in the retail sector.

To what extent this will continue is open to debate. Proposals for grandiose new shopping centres have been on the wane.

The measures taken by Mr Nigel Lawson, the Chancellor of the Exchequer, to dampen consumer spending have put retailers under strain at a time when the cost of their earlier chase for space has started to put pressure on their margins. Their appetite for expansion may have been blunted.

But the different factors behind, on the one hand, the retail property sector, and on the other, the office and industrial sectors extend to finance.

While there has never been any great difficulty in finding finance for retail developments UK-wide and no difficulty in finding institutional buyers for them when they have been completed, this has not been the case with the other sectors.

London-based banks have consistently felt more comfortable financing developments in the South-East, although this started to change a year ago. Only in recent months have the institutions been readier to invest in office and industrial property outside the London area, and hence to encourage developers in speculative ventures. But the scale of this greater diversity has yet to be fully documented.

Anecdotal evidence suggests that their interest in cities like Edinburgh, Glasgow, Manchester, Birmingham, Leeds and Bristol has helped to push up capital values.

While this may be good for property investors already committed, it does not necessarily help companies in the regions trying to hold down costs. How far this process will continue is difficult to establish. But it has become clear that some confidence has dripped away from the property sector.

The difficulties of the retail sector, added to uncertainty about the medium-term prospects for the City of London property market, have led many property analysts to sound a note of caution about the immediate growth prospects.

It is generally accepted that total returns of 30 per cent or more during 1988 are likely to decline in 1989, although returns are nonetheless expected to remain at a high level.

Paul Cheeseright

FINANCIAL SERVICES

Putting down provincial roots

FINANCIAL services industries, once the more or less exclusive preserve of London and the south of England, have begun to strike root in the newly prosperous provincial centres of the rest of the country.

There are four ways in which this is happening. Firstly, increasing prosperity is transforming the traditional professional groups, particularly accountants and solicitors. Secondly, the rise of new entrepreurial groups and new firms is creating a demand for wider corporate banking services and international banking, such as documentary credit.

Thirdly, banks and insurance companies are moving their back office facilities to the provinces, thereby becoming important sources of employment locally. Finally Big Bang has given a fillip to regional stockbroking operations by creating a single electronic market which can be accessed from anywhere in the country.

Consider for instance, Manchester's Square Half Mile, the local name for its financial services community. It is home to ABN, a Dutch bank which routes much of its business through Manchester rather than London to cut costs, as well as to the first branch of N M Rothschild outside the capital — a branch now more than a quarter of a century old.

No fewer than 215 quoted companies have their headquarters in Manchester and there are 53 international, merchant or foreign banks in the City.

Manchester however is not having things all its own way even in the North of England. Across the Pennines in Yorkshire a lively corporate and merchant banking market is developing in Leeds.

"There are 150 quoted companies in Yorkshire with capital of £14bn," says Mr Christopher Broadbent, managing director of BWD, a Huddersfield based stockbroking and investment group. "We can expect to see a good flow of new young companies in the next few years."

BWD, with a private client base of 35,000, is a good example of the new style of regional financial services. A tie-up with the Bradford-based Yorkshire Building Society announced in November last year, is the first step to opening financial advice services throughout the UK giving it access to around three quarters of a million people.

Similar changes are taking place in other regions. In East Anglia, the local Norwich & Peterborough Building Society has become the first building society to acquire a stockbroker and is aggressively marketing a diversified range of financial services to its customers.

In the west, financial services firms are expanding fast around both Bristol and Cardiff, even though the strategies being adopted are somewhat different.

Bristol is now home to the headquarters of four of the top life assurance groups. Other financial services firms, such as Burns Anderson the insurance brokers, are also present.

A sizeable expansion of services is taking place around College Green and Broad Quay. Some believe that it will be Britain's third financial community within a relatively short term.

Bristol is also home to some of the administrative operations of the large clearers. It is to house part of the administrative HQ of Lloyds Bank with 1,400 staff. National Westminster already has more than 5,000 staff there.

All of the big eight accountancy houses are now represented and Bristol is beginning to think of itself as one of the country's top financial services centres. On the corporate side this is still not the case — there is no merchant banking facility yet, for example, but it is undoubtedly strong on professional and retail services.

Wales presents a different picture of growth — and one which has come into being only in the last five years. Cardiff is justly proud that N M Rothschild have selected the city for its second branch in the UK outside London after Manchester.

TSB has chosen Newport for one of its fastest growing divisions and expects to employ some 2,000 there people in the next few years.

Developments here reflect a turnaround in the local economy. The growth of financial services has also been fostered by the South East Wales Financial Services Initiative which has been very successful in wooing outside companies and persuading them to set up in the region.

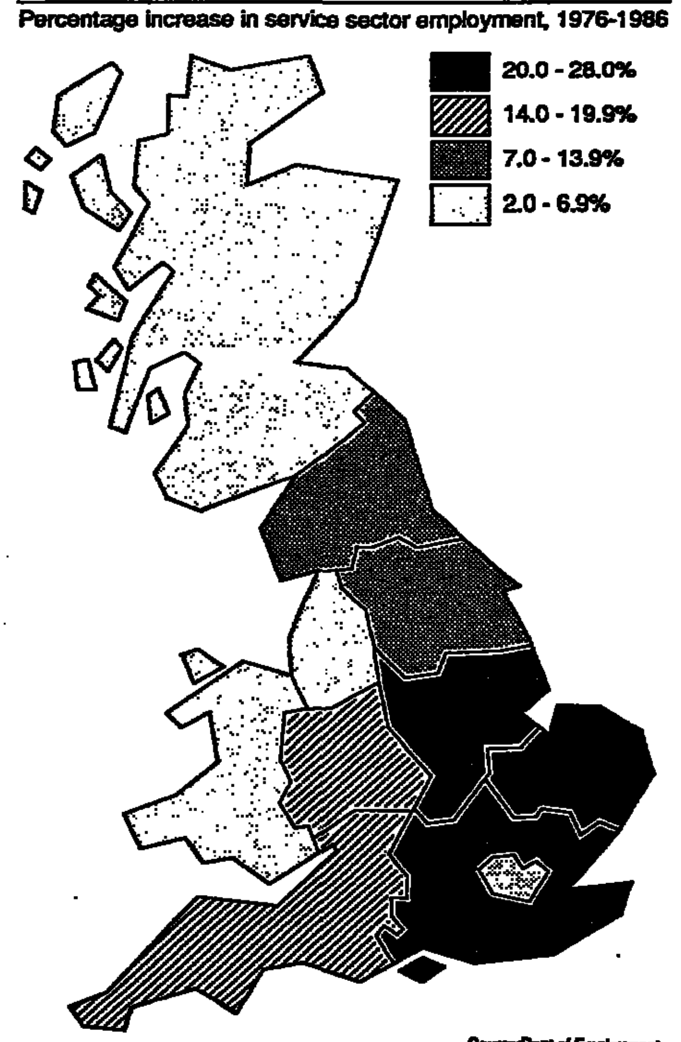
Chemical Bank of the US is proposing to double the number of people working in its operation in the Welsh capital to around 330. This does not take account of changes at what used to be called Chemical Bank Home Loans, its mortgage processing operation, now owned by BNP of France.

Other new arrivals are AA Services and the National Provident Institution. Further in the background is the regeneration of Cardiff Bay in a redevelopment which mirrors changes in the last five years in London's docklands.

David Barchard

Service employment growth

Percentage increase in service sector employment, 1976-1986



Source: Dept of Employment

Boom move northwards

Continued from page one

the Government. Mr Nicholas Ridley, Environment Secretary, says that it is not the Government's policy to discourage development and economic growth in the South-East. Lord Young has put it more forcibly in the intervention by his department supporting proposals for a new "village". There is the problem.

Other pressures are building up. If the Government succumbs to demands to ease traffic congestion in and around London, by sanctioning spending on roads which is additional to planned improvements, this is likely to be at the expense of communications elsewhere. *The decision to* develop Stansted in preference Manchester as "London's Third Airport" still rankles. Now the regions are worried that they will again lose out amid the growing clamour for investment in improved road and rail transport links in London and the South-East.

This question of a fair division of spending between regions is being posed to a government which has increasingly centralised decision-making. The Thatcher Government has been determined to reduce the influence of local government. Plans are being drawn up in Whitehall which are expected to reduce their role in economic development still further.

The Labour Party has begun discussing the introduction of regional assemblies to strengthen the economic and political clout of the English regions to tackle their problems, although vital questions, such as their legislative and taxation powers, have still to be clarified. Labour is beginning to see internally-generated growth as the key to promoting greater economic equality between Britain's regions.

Between now and the next general election, however, Mrs Thatcher will hope that her market-oriented policies will demonstrate such ideas to be unnecessary.